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SG MART

A B2B MARKETPLACE FOR CONSTRUCTION MATERIALS

INITIATING COVERAGE | SECTOR: BUILDING MATERIAL

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Initiating Coverage
23rd January 2025

SG Mart Ltd

From Fragmented to Connected: Reshaping B2B Construction Material Market Place

CMP: INR 375

Rating: BUY

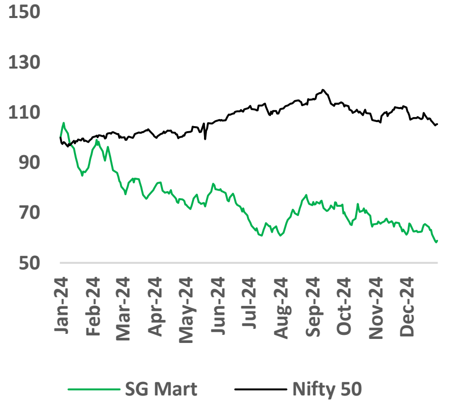
TARGET PRICE: INR 728

Stock Info	
BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	42.10
52w H/L (INR)	638/329
Avg Daily Volume (in 000')	107.43

Shareholding Pattern % *(As on September, 2024)*	
Promoters	40.78
Public & Others	59.22

Stock Performance (%)	1m	6m	12m
SGMART	+1.32	+0.68	-37.63
NIFTY50	-2.52	-5.41	9.02

SGMART Vs Nifty



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SG Mart, a part of the promoter family of APL Apollo group, positions itself as a comprehensive solution for construction materials, offering a wide range of products from top brands under one roof. The company aims to become India's largest steel trader by defragmenting the market to meet the growing demands of the infrastructure and real estate sectors. SG Mart saw significant growth, expanding its customer base to over 1270 in Q2FY25, up from 650+ in Q4FY24. The number of suppliers also increased, from 75+ in Q4FY24 to 145+ in Q2FY25.

Investor Rationale

Bridging the Gap in India's Fragmented Steel Market:
SG Mart is placed with a unique proposition to bridge the gap between Indian Steel manufacturers and consumers. Currently, the marketplace for steel suppliers and buyers is 80% fragmented and hence the company is defining itself as a marketplace to defragment it. India is seeing a massive growth (~50%) in upstream steel facilities (between Dec 2023 and 2025).

Huge Opportunity, Robust Demand and Supply Growth:
India's total addressable market for construction and building material sector is INR 6 Tn in FY24 and is projected to be INR 8 Tn by FY27E, This presents a significant growth opportunity for B2B construction material businesses. We believe SG Mart to capture a significant share in downstream steel trading, reaching **10 Million Ton Per Anum (**MTPA) by FY2030E, strengthening its market presence operational efficiency.

Driving Growth in Steel Trading with Vertical Integration:
SG Mart, identified a significant growth opportunity, targets growth in the fragmented metal trading market, building its foundational expertise from a parental business. Initially focusing on downstream metal trading and expanding into other construction materials, applying its vertically integrated model to enhance market presence. SG Mart operates three distinct business models across B2B and B2C, thoughtfully designed to maximize penetration and streamline operations.

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	68.9	39.3	22.9	15.4	9.9
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

Rich Parentage: Leveraging Strong Distribution Network

SG Mart has access to APL Apollo Group's extensive 1500+ distribution channel and a vast 50,000+ dealers' network, serving residential, commercial, and infrastructure sectors. APL Apollo brand is owned by the promoter family and family has granted the right to use the brand for non steel pipe products to SG Mart, free of cost. This strategic arrangement build up the product portfolio within SG Mart's B2C white-labeled business segment, which yields a margin of 2.5%.

Strong Economies of Scale: Higher Volume Growth Leading to Higher ROCE

SG Mart's cash-and-carry model, which eliminates credit transactions, reduces the accounts receivable burden. This approach supports profitability while maintaining an optimized net working capital cycle of 10-15 days. The company is aided by independent channel financing businesses like SG Finserve and others, which provide dealers and distributors the financial flexibility to secure required quantities. SG Mart operates with a moderate EBITDA margin, prioritizing on faster inventory cycle and increased trading volumes to expand its customer base achieving a higher ROCE in the range of 35-40%. We believe by FY27E, SG Mart to achieve INR ~181 Bn in revenue with a blended EBITDA margin of 2.5% and a targeted ROCE of ~29%.

Valuation & Outlook:

SG Mart has potential to pierce through the unorganized and 80% fragmented steel marketplace, creating a robust value chain that is expected to drive its growth trajectory over the coming years. 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**. Its robust expansion plans include **adding 101 service centers by FY30, up from 2 currently operational**, with 3 more set to launch by Q4FY25. **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. The company benefits from the free use of the APL Apollo brand for non-steel pipe products, further strengthening its market position. Operating on a cash-and-carry model ensures profitability with a **lean working capital cycle of 10-15 days.** With these strengths, SG Mart is ready to establish itself as a leader in the construction and building material B2B marketplace. We believe, SG Mart has entered at the time when industry needed it the most. We expect SG Mart to post Revenue/EBITDA/PAT CAGR of 89.08%/93.50%/64.6% and reach INR 181 Bn/INR 4.47 Bn/INR 2.7 Bn over FY24 - FY27E. **At CMP of INR 375 per share, the stock trades at 39.3x/22.9x/15.4x P/E and 22.5x/14x/9x EV/EBITDA based on FY25E/FY26E/FY27E earnings, respectively**. **We initiate 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 94%.**

Earlier, we came out with a sales note for SG Mart on 3rd Sept 2024.
Link to the sales note: SG Mart Ltd. – Sales Note

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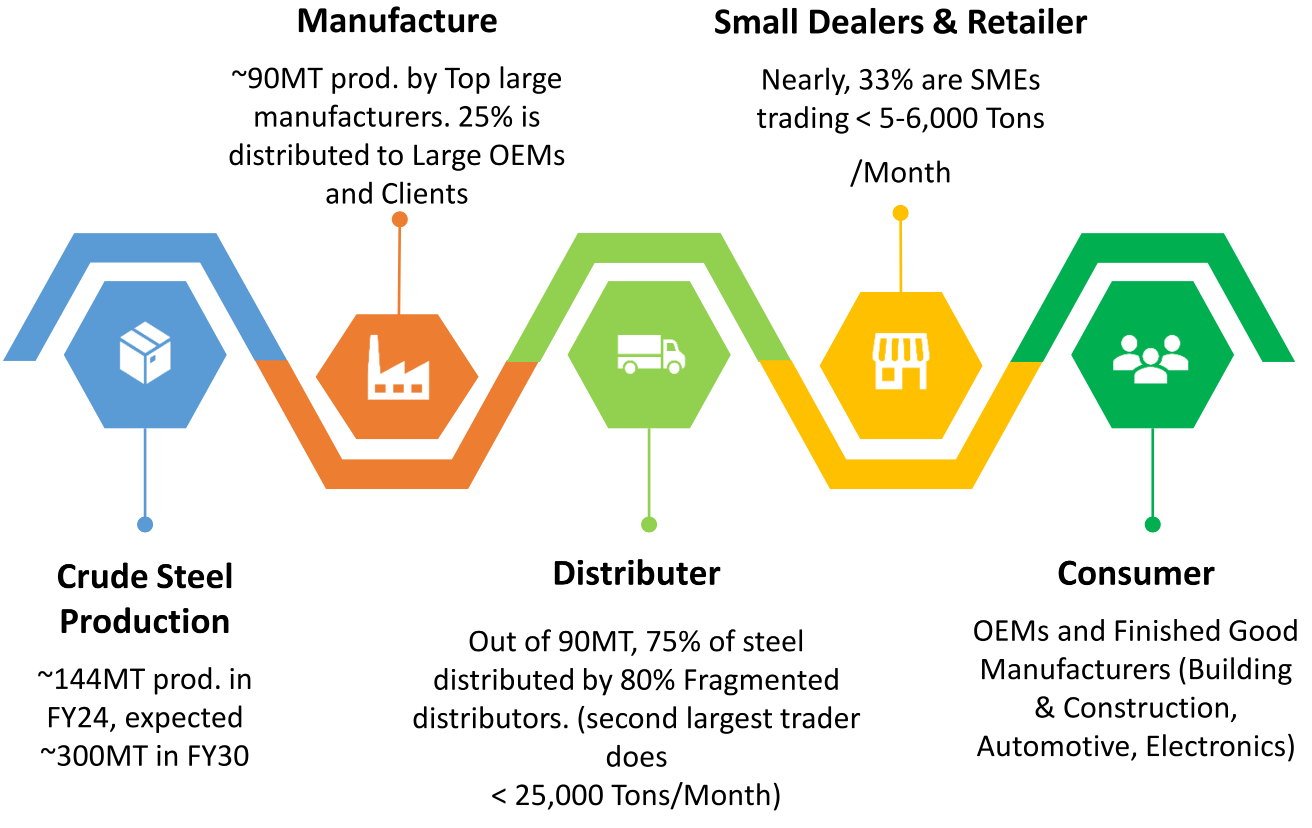
Investment Rationale

Bridging the Gap in India's Fragmented Steel Market:

SG Mart is positioned with a unique proposition to bridge the gap between Indian steel manufacturers and consumers. Currently, the marketplace for steel suppliers and buyers is 80% fragmented and hence the company is defining themselves as a marketplace to defragment it. India is seeing a massive growth (~50%) in upstream steel facilities (between Dec 2023 and 2025). Current steel industry production is 144 Mn tons (MT) and steel capacity is 171 MT, expected to reach more than 300 MTPA of production by 2030. At present, there are small distributors and dealers who procure from manufacturer directly and sell to industries down the line. The problem here is that the distributors and dealers are small in size. **Nearly 33% of distributors and dealers are SMEs trading between 5,000-6,000 tons monthly** reported by industry experts. **The second largest player is unorganized doing a volume of just ~25,000 tons per month compared to SG Mart already doing ~1,20,000 tons per month of steel trading in Sept 2024.**



SG Mart to Reshape Steel Trading with Large-Scale Procurement and Localized Distribution:

SG Mart is setting ambitious growth targets in the steel trading sector, **aiming to trade 25x monthly volume of the largest distributor and capture significant share of India's steel trading market by FY28E.** Currently trading around 120,000 tons per month, SG Mart is on pace to trade ~1.2 MTPA in FY25E. As India's steel capacity expands by ~50% (Dec 24-Dec 25), **SG Mart is proactively creating a large-scale platform designed to streamline the downstream supply chain and absorb increased supply effectively.**

Addressing challenges for both manufacturers and MSMEs, SG Mart's business model aims to bridge supply chain gaps that hinder small dealers, OEMs, and retailers, **who often struggle to buy quality steel in appropriate quantities due to manufacturers' high minimum order requirements**.

Additionally, these **MSMEs face high freight costs because of geographic disconnects** between manufacturers and end-users, the delivery time also act as a hurdle. On the manufacturers' side**, challenges include inventory overruns, pricing fluctuations due to monthly steel price updates, and pressure to push sales as production expands.**

Industry Issues

1. Fragmented supplier base.
2. Limited integration across stages of material processing and final application.
3. SMEs struggle to source quality steel due to manufacturers' high minimum order sizes.
4. Extended delivery times to distributors and delays in urgent orders due to distributor inventory limitations.
5. Pricing lacks standardization and transparency, with no digital systems in place.

SG Mart’s Value Proposition

1. One-stop platform for all construction materials needs.
2. Fully optimized and vertically integrated for seamless material processing and distribution.
3. Addresses minimum order challenges through large-scale procurement and enabling access to specified quantity requirement.
4. Ensures on-time delivery, transparent pricing, and quality assurance from nearby centers.

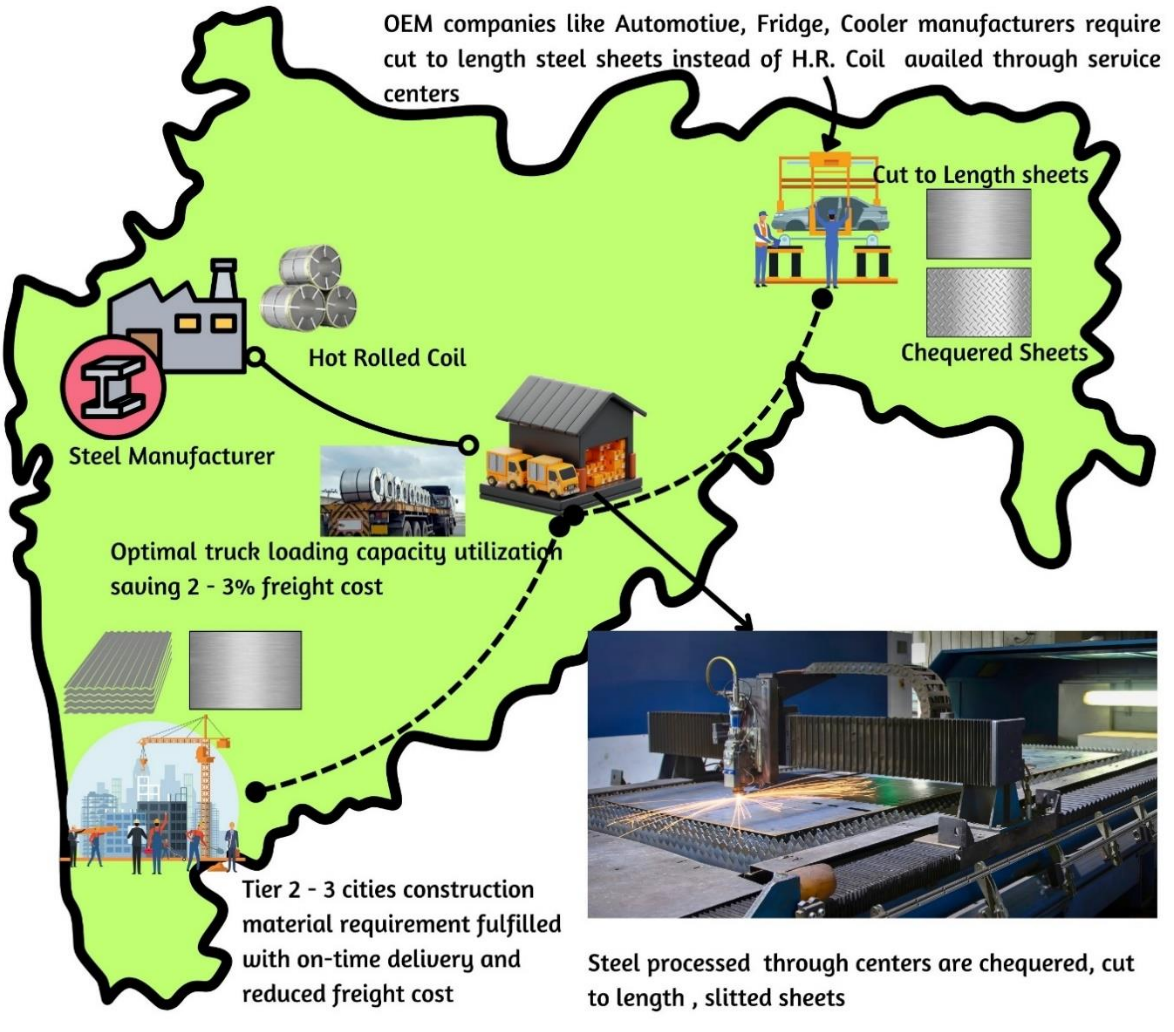
SG Mart is building a fully integrated comprehensive platform to counter these inefficiencies, offering minimum quantity purchase flexibility, consistent quality standards, and price transparency. The company also introduces various lenders to its customers for bill discounting, making it advantageous for construction material trading that facilitates seamless connections across the supply chain.

- **One Stop Solutions for Construction Material Requirements:** Starting with the core trading business into steel industry as it holds years of experience will provide range of solutions related to growing India’s construction material needs. Group’s strong relationships with top steel producers enables SG Mart to procure large quantities of steel with favorable pricing and delivery terms. Company has also partnered with leading brand partners which serves the need of small OEMs and manufacturers with products other than construction steel products like cement, tiles, bath fittings, etc.

- **Fully Integrated Vertical Operations for Seamless Material Processing and Distribution:** It rightly diversified its services accordingly to provide optimized and efficient solutions with its three model B2B metal trading, B2B stock & sell & B2C trading. This business is vertically integrated and help SG Mart to capture the most of growing demand into construction material trading and compete with other traders with rapid building service center across India which allows them serve the remote tier 2-3 cities rapid infrastructure transformation.

- **Solving Minimum Order Challenges & Ensure On-time Delivery :** SG Mart has addressed the problem of small dealers, distributors, OEMs, and contractors procuring smaller quantities. The steel manufacturers find it difficult and time consuming serving small dealers need as they focus more towards manufacturing and large distributors. Therefore, small dealers usually had to face the problem of long delivery timelines, or purchasing more than the required quantities. SG Mart has solved the problem of minimum purchase requirement by purchasing steel in bulk from upstream producers and supplying it to the dealers, without the requirement for minimum purchases.

- **For Example** “A small contractor in Maharashtra needing a limited quantity of steel for a project. If he were to approach a steel manufacturer directly, he might face delays since manufacturers prioritize bulk orders and find small quantities uneconomical due to added logistical costs. This is where SG Mart steps in. By procuring HRC sheets in bulk at standardized or discounted rates, SG Mart helps manufacturers reduce inventory burdens and optimize truck utilization with fully loaded shipments **giving logistical cost advantage of ~2-3% freight cost**. SG Mart then supplies the contractor with the required steel quickly and at a competitive price, saving him time and effort. Additionally, the contractor benefits from established trust with SG Mart’s, making it easier to secure channel financing, something that might otherwise be challenging. This streamlined process ensures cost-efficiency, timely delivery, and financial flexibility, enabling the contractor focus on project execution.

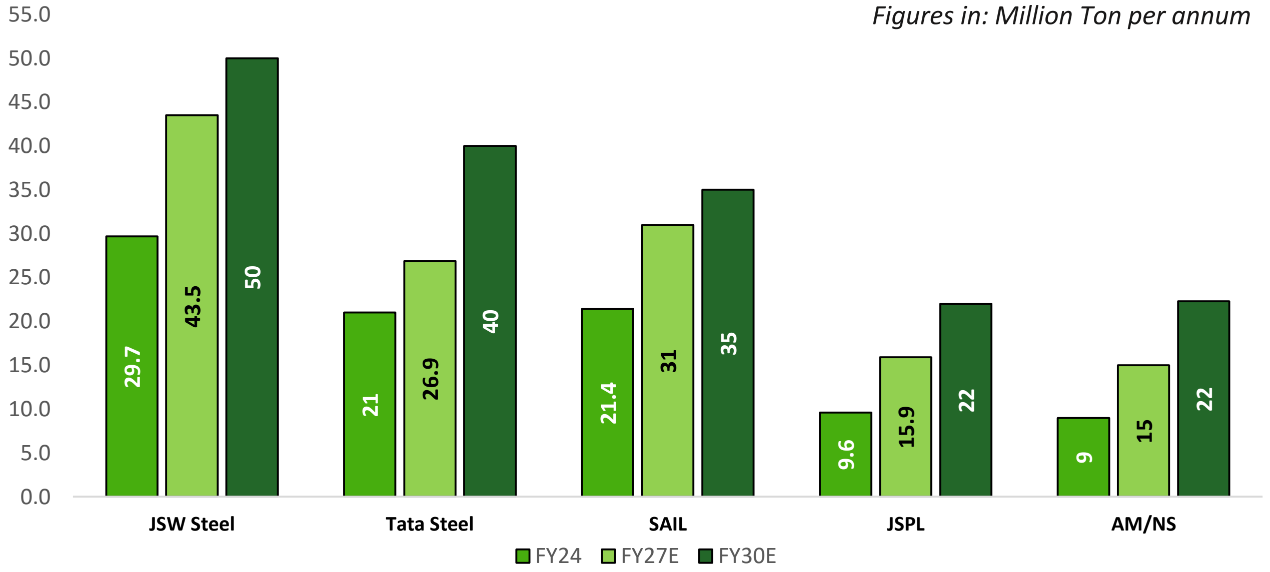


Huge Opportunity, Robust Demand and Supply Growth:

India's total addressable market for construction and building material sector at INR 6 Tn in FY24 and is projected to be INR 8 Tn by FY27E, This presents a significant growth opportunity for B2B construction material businesses. India is the 7th largest manufacturing hub and 5th largest retail distribution market for construction material, expected to reach US $119.5 Bn by FY26. However the sector continues to be one of the least disrupted by technology in a systematic way with penetration of B2B online marketplace is ~1% as against US/China where it is 20-25% digitalized. Providing a huge opportunity in fulfilling the gap through comprehensive ecosystems that facilitate the entire transaction process between buyers and sellers.

Growing Steel Capacity to Unlock Significant Trading Opportunities
India's steel capacity has grown at a CAGR of 3.79%, rising from 142 MT in FY19 to 171 MT in FY24. **Large steel manufacturers operating at 80% capacity utilization and planning to expand production by 1-1.5x by FY26-27**. aligning with the government's goal of reaching **300 MT capacity by 2030**. India's top steel manufacturers such as Tata Steel, SAIL, JSW Steel, JSPL, and AM/NS, producing 90 MT of primary steel annually, dominate the organized steel manufacturing sector, accounting for 80% of the upstream market. Despite this, 75% of the distribution remains unorganized managed by MSMEs and fragmented dealers and distributors, revealing significant inefficiencies and gaps in the trading and distribution network.

Capacity Expansion of India's Top 5 Steel Manufacturers, Driving Opportunities in Steel Trading.

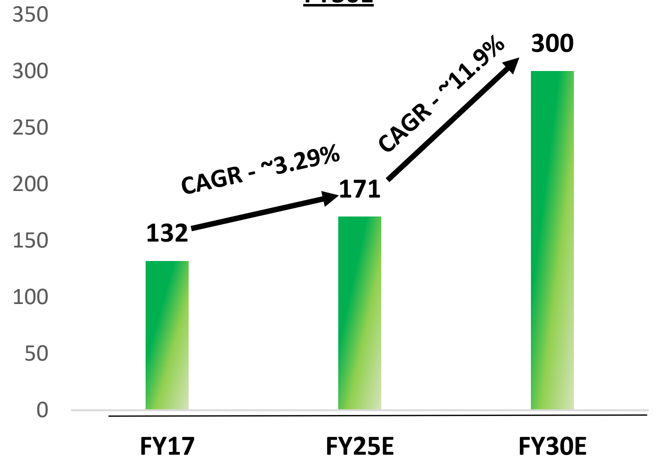


Source: Industry, Arihant Capital Research

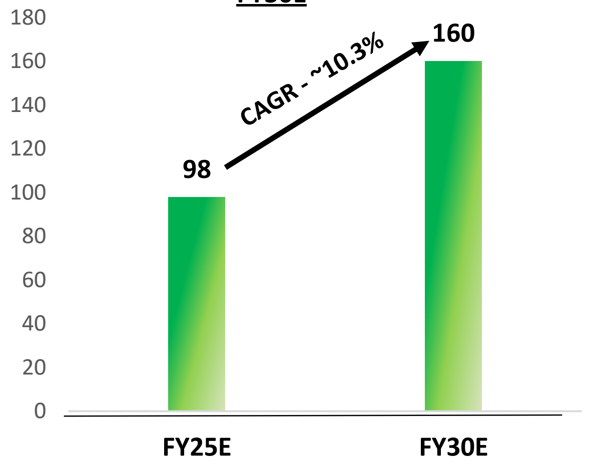
India is anticipated to add 50% more steel capacity by December 2025, making it best time to start a steel trading venture to leverage the growing demand in the steel industry. SG Mart is strategically positioned to capitalize on the rising supply and meet growing demand through its integrated trading model. **Company targets to achieve a significant market share in downstream steel trading by FY30, corresponding to a 10 MTPA volume**, applying a vertically integrated model to enhance market presence and operational efficiency.

Domestic demand remains robust with upstream steel industry, crude steel volumes achieving a **8% CAGR from FY18-24**, growing from 90.72 MT in FY18 to 144 MT in FY24, **and projected to reach 255 MT in FY30**. This growth reflects increased demand from key sectors like automotive, infrastructure, and construction. The industry’s ongoing expansion and demand highlight strong opportunities within India’s steel trading sector.

India to Expand Upstream Steel Capacity to 300 MTPA by FY30E



Per Capita Finished Steel Use at ~158 KGS by FY30E



Driving Robust Growth in Steel Trading with Vertical Integration

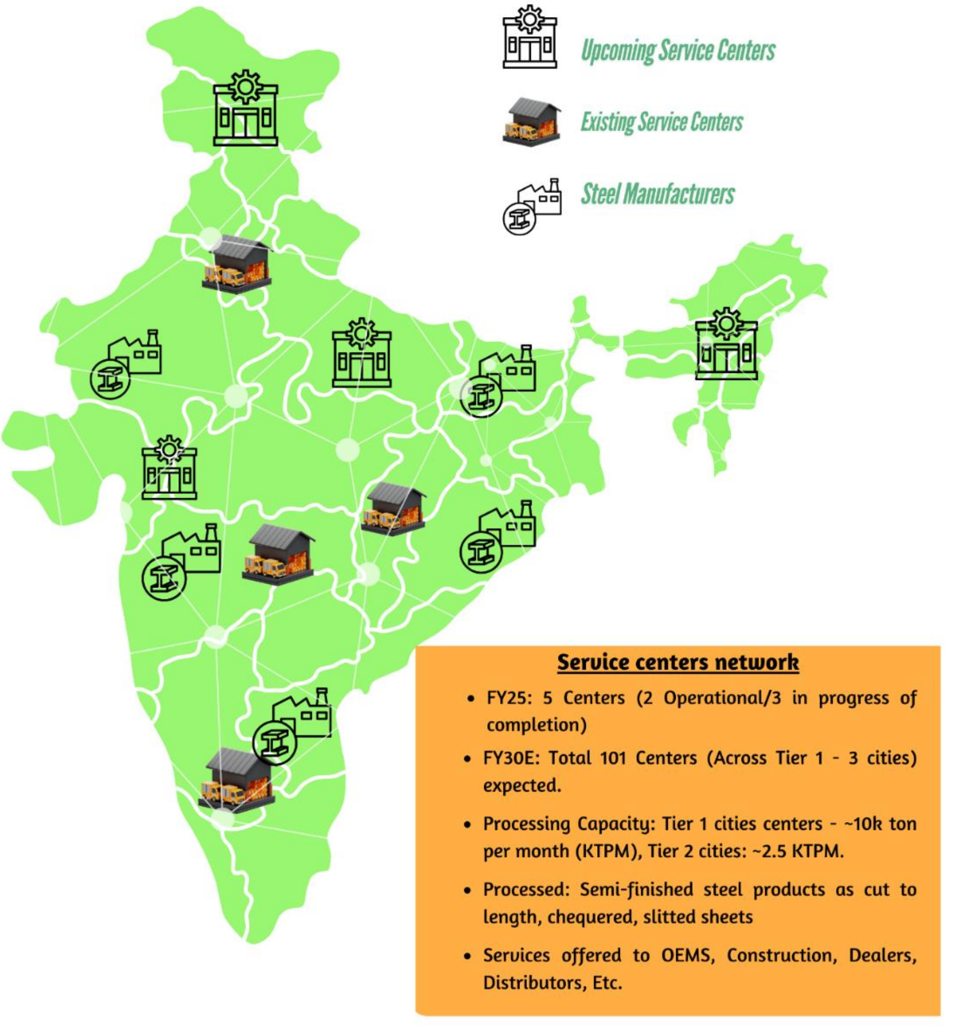
SG Mart identified a significant growth opportunity within the fragmented steel trading market, building its foundational expertise from a parental business in the steel sector. The company aims to position itself as the largest trading platform, initially focused on organizing downstream steel trading and gradually expanding into other construction materials. SG Mart operates three distinct business models across B2B segments and B2C segment, thoughtfully designed to maximize penetration and streamline operations within the steel trading industry. The following outlines the company's B2B business approaches:

B2B Segment

Direct Metal Trading (Built-to-Ship Approach) In this model, SG Mart sources Metal directly from leading manufacturers, including SAIL, JSW Steel, and NMDC. Under a "Built-to-Ship" framework, **steel is delivered directly to buyers in specified quantities with standardized pricing and assured quality**. It also enables cost-efficient distribution as SG Mart enjoys significant bargaining power, which can benefit its dealers and distributors through standardized and timely delivery, ensuring reliability for buyers and **yielding an EBITDA margin of 1-1.5%**.

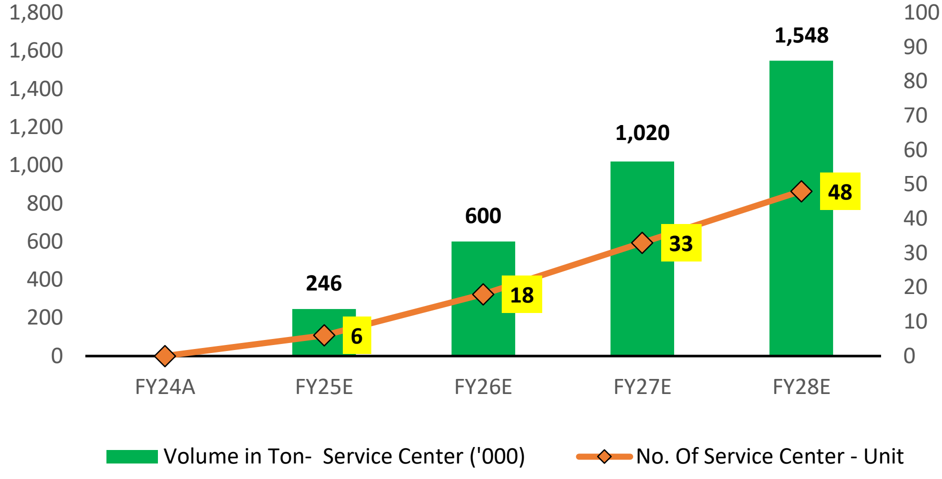
Stock and Sell Model (Warehouse-Based Trading) The Stock and Sell model involves purchasing steel from leading manufacturers at a discounted price and stocking it within SG Mart’s service centers, which **also function as warehouses**. This inventory is later sold at a premium, to distributors and dealers when better opportunity arises. This model effectively minimizes storage constraints for smaller players and enables SG Mart to secure a **stable margin of ~2%**.

Service Center Expansion: Enhancing Processed Steel Trading and Distribution India accounts for chain **of small and traditionally managed processed steel center**s which uses old machines and equipment's to convert steel into semi-finished steel resulting into inferior and unfinished steel products. **SG Mart will expand its processed steel operations and storage capacity, adding 101 service centers by FY30.** The company, currently has 2 operational service centres, one each in Dujana and Bangalore. Three new service centres Pune, Raipur and Dubai are expected to be operational by Q4FY25. Service centres in Tier I cities are expected to process ~10,000 tonnes monthly and Service centres in Tier II are expected to process ~2,500 tonnes monthly volume. **Steel processing will yield a higher margin of ~3% - 4%**.



SG Mart raised ~ INR 15 Bn in equity. Roughly, 1 service centre requires capex of INR 250 Mn, which means a total of INR 25 Bn will be required to open 100 service centres and additional INR 25 Bn will be deployed in working capital by FY2030, which would mean a total capital employed of INR 50 Bn. With the existing funds and year on year profits, the Company should be well positioned to meet the capital requirements. Shortfall, if any, can be funded through bank limits. Company has planned 10 new centers to setup strategically into cities like Chennai, Indore, Siliguri, Hyderabad, with an additional ~10-15 centers expected by FY26E.

Service Center Volume Growth Estimated to grow by CAGR of 85% during FY25-28E



Service Centers will serve as vital intermediaries between steel producers and end users, including small dealers, distributors, and OEMs. This operational framework is designed to optimize supply chain efficiency, standardizing quality and deepening market presence, particularly in tier 2 and tier 3 cities. By improving connectivity and streamlining distribution, and is projected to yield an EBITDA margin of 4%. These service centers will provide a range of processed steel offerings such as slitting, custom length cutting, and chequered steel sheets, while also facilitating comprehensive inventory management and distribution services to OEMs, small factories, and organized manufacturers in sectors such as automotive and capital goods which will grow robust of ~11% YoY.

Expanding Downstream Reach through B2C Trading, India's total addressable market for construction building material sector is INR 6 Tn in FY24 and is projected to be INR 8 Tn by FY27E, this represents a significant growth opportunity within the B2B & B2C construction materials industry. The digitalization of B2B marketplaces has been a key catalyst for online adoption, 70%+ MSMEs are looking to digitally transform their businesses to meet customer demands.

Products	2024 Market INR 6 Trillion	2027E Market INR 8 Trillion
Downstream steel	INR 4.1 trillion	INR 5.6 Trillion
Fixtures & Fittings (Bath fittings, Electrical fittings)	INR 1.3 Trillion	INR 1.8 Trillion
Tiles industry	INR 0.4 Trillion	INR 0.6 Trillion

Source: SG Marts Investor Presentation

SG Mart's downstream B2C trading focuses on fragmented dealer networks with a balanced portfolio of white-label and branded products, each comprising 50% of its downstream volume. Building on APL Apollo's branding with zero brand cost, SG Mart offers a broad product line, including APL Apollo SG TMT Bars, SG Agni, SG Wiremesh, and SG Premium This B2C segment is estimated to reach 2 MTPA in steel volume, with an anticipated margin of ~2-2.5%. The company currently offers a range of steel construction materials under its portfolio, including APL SG TMT Bars, Binding Wires, Welding Rods, and Metal Wire Mesh.

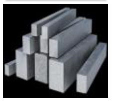
SG Mart demand visibility worth INR 4 Tn from the group's distributors, primarily dealing in downstream products. TMT Bars alone account for an ~INR 2.9 Tn market in India, which is predominantly catered to by unorganized players. SG Mart's robust network and strategic positioning provide an opportunity to capture a significant share of this market, enabling the company to expand its footprint across TMT Bars and other construction materials, presenting a substantial growth potential and the ability to achieve attractive margins.

SG Mart further strengthens its position in white labeled products by partnering with local manufacturers, implementing a **"one manufacturer for one state for one product"** strategy across construction materials. This approach supports market defragmentation, enhances inventory management of manufacturing company, which enables SG Mart to gain some extra margins and extend discounts to dealers and distributors. For instance, **SG Mart has rapidly scaled zinc trading through its partnership with Hindustan Zinc**, **positioning itself as India's largest zinc distributor.**

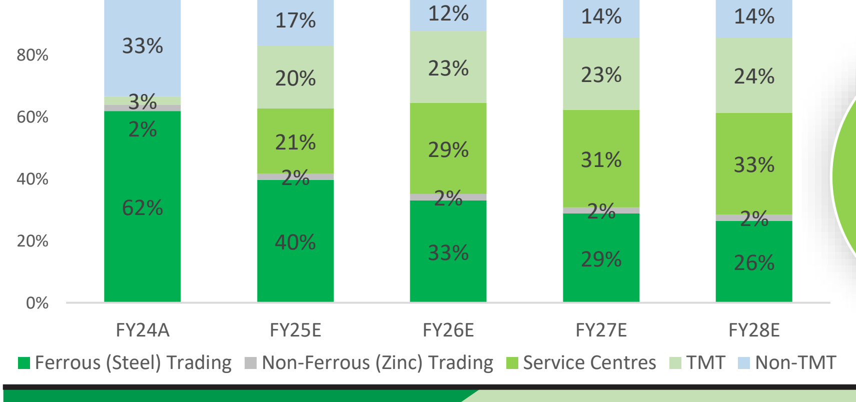
Brand partners

Source: SG Marts Investor Presentation

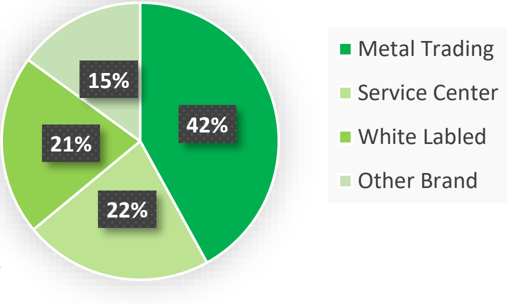
Presented Business Model & Revenue Share: FY25E

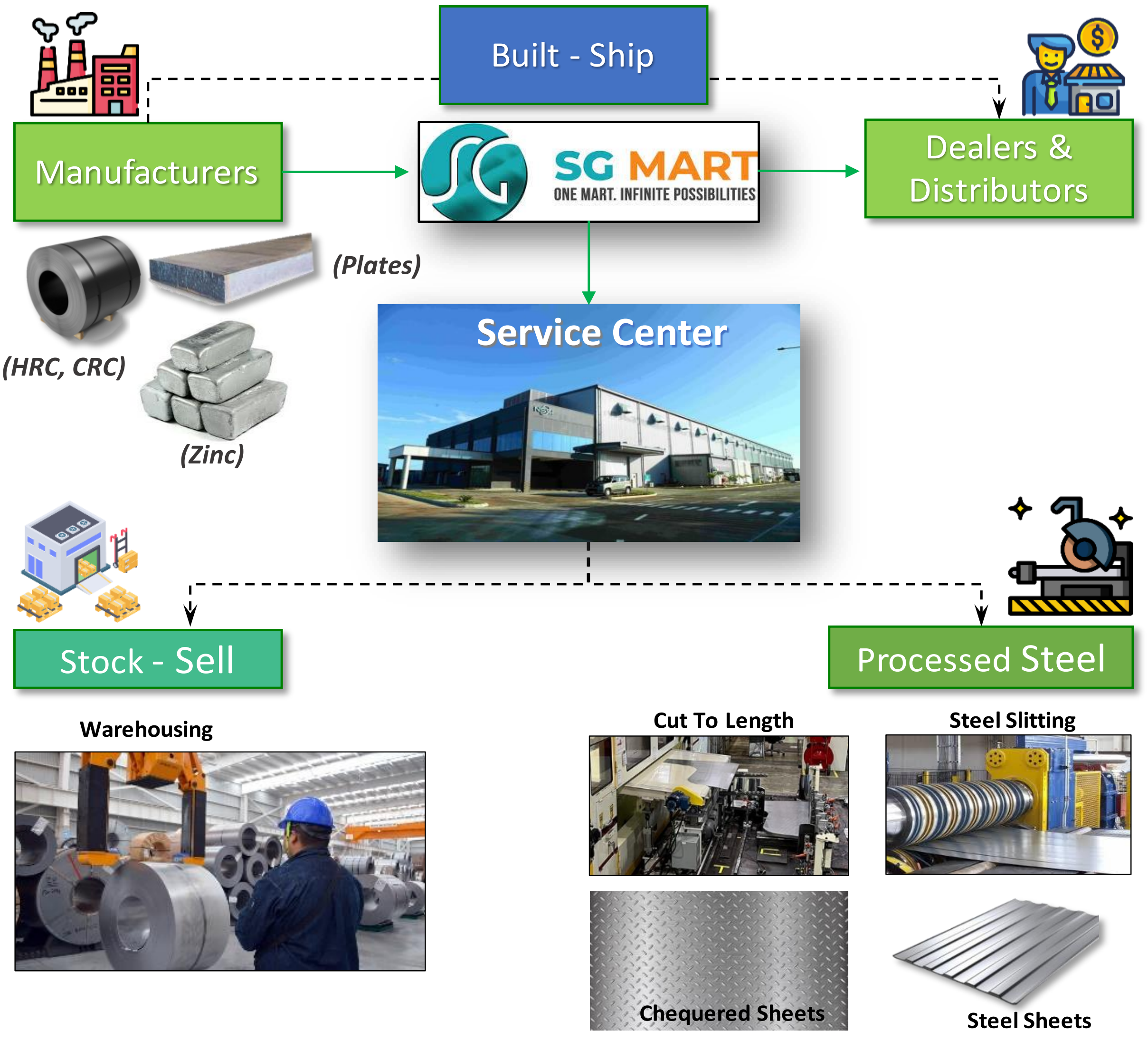
Business Segment	Products Offered	End Users	% Share of Revenue
B2B (Steel Products)	✓ HRC Sheet  ✓ CRC  ✓ Steel Slabs 	Dealers and Distributors	40%
B2B (Other Metals)	✓ Zinc 	Dealers, Distributors and OEMs	2%
Processed Steel	✓ Cut To Length ✓ Slitting ✓ Steel Sheets ✓ Chequered Steel	OEMs, Automobile & Electronic Appliances Manufacturers	22%
B2C (White Labeled)	✓ TMT Bars ✓ Binding Wire ✓ Welding Rod ✓ Structural Steel (Angle Bars, Mesh Wire, Hollow Tubes) APLAPOLLO SG TMT; APLAPOLLO AGNI; SG STRONG; SG PREMIUM STRUCTURAL SECTIONS	Direct Consumers & OEMs	36%
B2C (Other Brands)	✓ Tiles ✓ Sanitary Ware ✓ Lighting and Fittings Kajaria; HAVELLS	Direct Consumers, Dealers & Distributors	

Revenue Share by Product



% of Revenue Share





Built – Ship (Direct Trading)

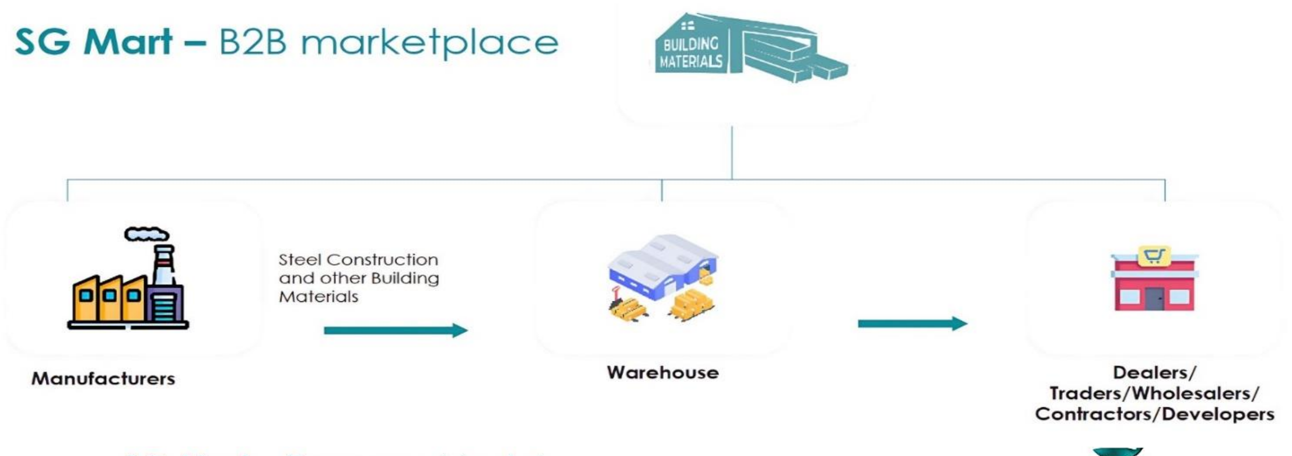
- Trading Volume: 50k-60k Ton/ Month
- Working Capital: 5-10 days
- Company source steel from manufacturers at a discounted price as of bulk procurement reducing price fluctuation risk from manufacturer and distributing directly to dealers and distributors at standardised price and ensuring quality.
- Estimated EBITDA Margin: yielding 1-1.5%.

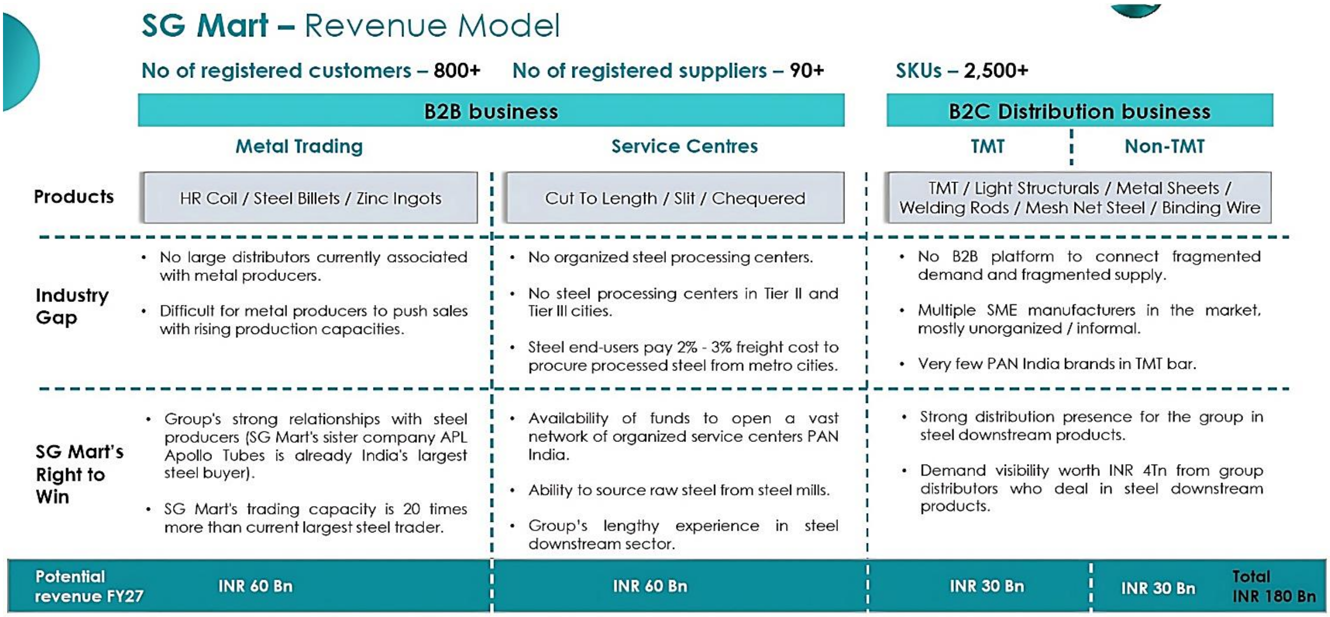
Stock & Sell (Stocking in warehouse)

- Trading Volume Capacity: 6.5k Ton/ Month per center.
- Working Capital: 10-15 Days
- No. of Warehouse cum Service Center: FY25 – 5 centers.
- Company source steel at lower rate and stock it in service centers which acts as warehouse and when opportunity arises sold at a higher margin, providing faster procurement when in need and connects to tier 2 – 3 cities allowing better reach at less freight cost.
- Estimated EBITDA Margin: yielding 2 – 2.5% margin.

Service Center (Processed Steel)

- Trading Volume: 6.5k Ton/ Month per center.
- Working Capital: 20-25 days
- No of Service Center: FY25 – 5 centers
- Company sources HRC sheets, processing them into semi-finished steel for OEMs, small manufacturers, and dealers requiring specific quantities that large manufacturers cannot fulfill due to minimum quantity requirements. These centers to be strategically located across Tier I and Tier II cities.
- Estimated EBITDA Margin: 3.5 – 4%.





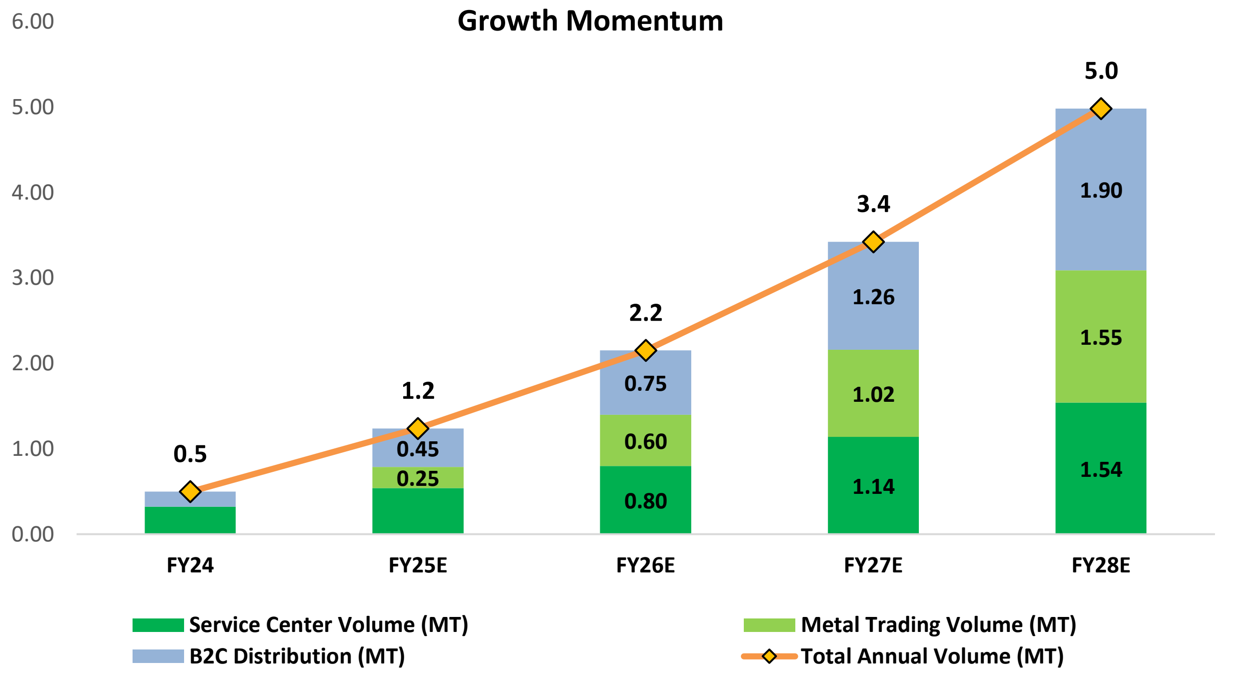
SG Mart – Revenue Model

No of registered customers – 800+ No of registered suppliers – 90+ SKUs – 2,500+

	B2B business		B2C Distribution business	
	Metal Trading	Service Centres	TMT	Non-TMT
Products	HR Coil / Steel Billets / Zinc Ingots	Cut To Length / Slit / Chequered	TMT / Light Structurals / Metal Sheets / Welding Rods / Mesh Net Steel / Binding Wire	
Industry Gap	• No large distributors currently associated with metal producers. • Difficult for metal producers to push sales with rising production capacities.	• No organized steel processing centers. • No steel processing centers in Tier II and Tier III cities. • Steel end-users pay 2% - 3% freight cost to procure processed steel from metro cities.	• No B2B platform to connect fragmented demand and fragmented supply. • Multiple SME manufacturers in the market, mostly unorganized / informal. • Very few PAN India brands in TMT bar.	
SG Mart's Right to Win	• Group's strong relationships with steel producers (SG Mart's sister company APL Apollo Tubes is already India's largest steel buyer). • SG Mart's trading capacity is 20 times more than current largest steel trader.	• Availability of funds to open a vast network of organized service centers PAN India. • Ability to source raw steel from steel mills. • Group's lengthy experience in steel downstream sector.	• Strong distribution presence for the group in steel downstream products. • Demand visibility worth INR 4Tn from group distributors who deal in steel downstream products.	
Potential revenue FY27	INR 60 Bn	INR 60 Bn	INR 30 Bn	INR 30 Bn Total INR 180 Bn

Source: SG Marts Investor Presentation

Robust 53% CAGR Propels Volume Expansion to 5 Mn Tons by FY28E, Demonstrating Strong Growth Momentum



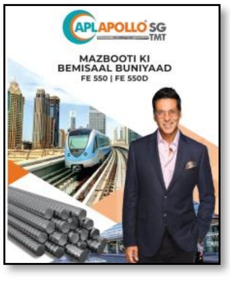
Rich Parentage: Leveraging Strong Distribution Network

SG Mart, a part of the promoter family of APL Apollo group, benefits from the strength of India’s largest steel buyer. Promoters having decades of experience into steel industry knowing the cyclicality of steel as a commodity and having strong connection with both upstream and downstream steel manufacturers will be beneficial to SG Mart. The company has successfully raised INR 15 Bn through promoter and capital market participation to fund the large distribution channel through service centers a unique and robust method to fulfill the need of tier 1-3 cities steel consumption.

SG Mart, along with its sister company, APL Apollo, aims to procure ~15 MTPA of steel combined by FY30. For comparison, Marubeni a Japanese leader in steel trading trades around ~19 MTPA of steel, operating in 50 countries with a global distribution network. So achieving ~15 MTPA in India will enhance the groups negotiating power, allowing them to secure steel at competitive prices. This strategy will enable them to distribute at competitive rates to downstream channels, including dealers, distributors, and OEMs, further strengthening their market position by defragmenting unorganized distribution channels.

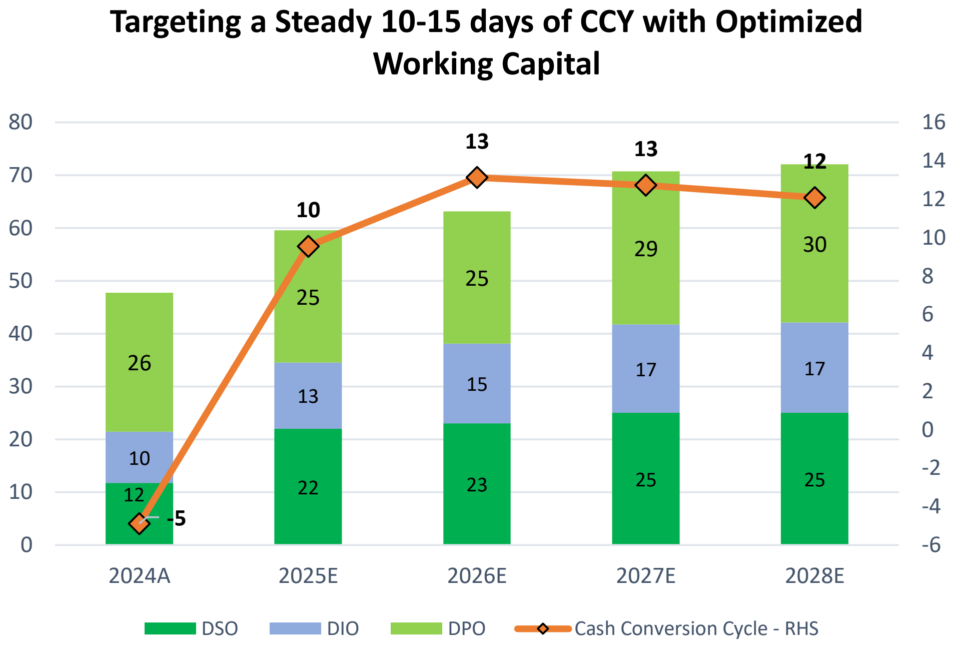
SG Mart has access to APL Apollo Group's extensive 1500+ distribution channel and a vast 50,000+ dealers' network, serving residential, commercial, and infrastructure sectors. APL Apollo brand is owned by the promoter family and the family has granted SG Mart the rights to use brand name for non-steel pipe products, free of cost. This strategic arrangement build up the product portfolio within SG Mart's B2C white-labeled business segment, which yields a margin of 2-2.5%.

APL Apollo – SG Mart Products



Strong Economies of Scale: Higher Volume Growth Leading to Higher ROCE

SG Mart operates with EBITDA margins in the range of ~2%-2.5%. In order to protect its margins, the company focusses on faster inventory turnover and maintaining high trading volumes. Unlike large steel manufacturers, which typically operate with higher working capital days and face greater exposure to monthly steel price fluctuations, SG Mart effectively mitigates this risk by keeping its net working capital short. The company has adopted a cash-and-carry model, eliminating credit transactions and reducing the accounts receivable burden. This approach has facilitated faster steel procurement, supported robust demand growth, and driven higher turnover and trading volumes, ensuring operational efficiency. Backed by experienced key personnel and promoters, **SG Mart manages its net working capital within 10–15 days**, maintaining profitability and building a strong, independent business model.

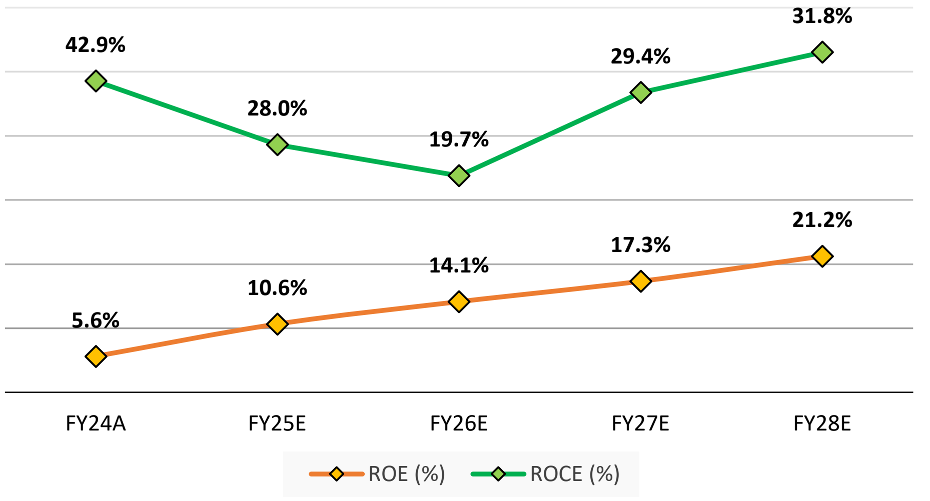


SG Mart's Strategic Inventory Management:

SG Mart operates separate models to manage inventory effectively, the **"Built-to-Ship"** model, which eliminates warehousing requirement and maintains a 0–10 day working capital cycle. By purchasing in bulk, SG Mart leverages its negotiating power to procure steel at favorable prices, and distributing the required quantities to dealers and distributors in a timely manner, who, in turn, can secure credit from NBFCs to increase their procurement capacity.

The service center operates with this two model, first is **"Stock and Sell"** model manages a 10–15 day working capital cycle, sourcing steel in bulk for storage in service centers and selling when market conditions are favorable. This approach helps mitigate pricing fluctuations happens due to re-evaluation of steel price once a month and eliminating storage cost for dealers and distributors, yielding a 2% EBITDA margin. The second model is the Steel Processing Model, which operates with an inventory cycle of 20-25 days. It involves processing HRC coils into sheets, resulting in a higher EBITDA margin of 4%, the higher margin helps absorb price fluctuations.

ROE to expand from 6% to 21% by FY28E



Higher Volume Growth Leading to Higher ROCE

With a significant investment in building a robust network of service centers and an extensive dealer base, SG Mart is poised for exceptional volume growth. The increasing steel demand, driven by infrastructure development, further supports this momentum. In its first operational year, **FY24, the company traded volume of 0.5 MT of metal** and will achieve more than double this volume to ~1.2 MT in FY25. By leveraging its expanding distribution network and processed steel volume through service center growth, SG Mart expects to achieve a remarkable 5 MT by FY28, reflecting an impressive CAGR of 78% over FY24–28E. This higher inventory churn and substantial volume growth will drive strong revenue growth, sustained PAT margins at ~1.5%, and strong economies of scale. Coupled with a lower net working capital requirement and enhanced negotiating power**, the company is set to deliver an ROCE of ~25–30%**, highlighting its operational efficiency and long-term profitability. With strong parental support, access to financial resources**, the company has planned Capex of INR 25 Bn for the deployment of 101 centers by 2030 averaging INR 250 Mn per center In addition, SG Mart will invest INR 25 Bn in working capital to support its anticipated growth. With a total capital employed of ~INR 50 Bn, the company targets to reach revenue of ~INR 500 Bn by FY30.**

Existing Key B2B Marketplaces (Infra & Construction Material) in India.

(Year founded)	ofbusiness (2015)	INFRA.MARKET (2016)	METALBOOK (2021)	SG MART (2023)
Description	**Horizontal platform for SMEs for procurement of industrial materials while also offering smart financing solutions.**	**On demand construction material platform serving as a one stop shop for all construction procurement needs.**	**End to end metal procurement marketplace focused on digitizing the metal supply chain.**	**One stop solution for construction material, focused on defragmenting B2B steel trading through large procurement and tailorized distribution.**
Key Metrics	➢ Presence: 24+ states, 35+ countries ➢ Registered SMEs: 700+ ➢ Categories: 9+ categories across 5 business verticals. ➢ Lending Partner: 70% stake in lending business – OXYZO Finance.	➢ Presence: 17+ states, +10 countries ➢ Retail Stores: 4k+, 35+ Franchise ➢ SKUs: 6k+, various categories across 4 business verticals. ➢ Concrete vertical: 80+ plants, volume of 15+ MCM of concrete. ➢ Manufacturing plants: 100+ plants producing private labeled products into tiles, fittings & pipes.	➢ Sellers: 150+ global suppliers. ➢ Registered SMEs: 3200+ SMEs ➢ SKUs: 1000+ SKUs, 32+ categories into metal ➢ Orders delivered: 350 KTPA till Sept 2024. ➢ Lending Partners: 10+ onboarded partners.	➢ Suppliers: 145+ ➢ Customers: 1250+ ➢ SKUs: 2500+ SKUs, 27+ categories ➢ Service Centers: 5+ in FY25, estimated to reach 101 centers owned by FY30. ➢ Volume: 1.2 MT in FY25. ➢ Lending Partners: No official partner, It introduces multiple lenders, including SG Finserve to customers.
Total Fundings ($Mn)	**758** *Sourced: Tracxn*	**574** *Sourced: Tracxn*	**20** *Sourced: Tracxn*	**1500** ***Amt in (INR Mn)***
Investors	Tiger Global, Soft Bank Vision, Alpha Wave Global & 49 Others	Tiger Global, Innoven Capital, Mars Growth Capital & 47 others	Foundamental, FJ Labs, Axilor Venture & 12 others.	Promoter Group & Capital Market Participants
Key Differentiator	➢ Integrated solutions for both procurement and financing. ➢ Large span of raw materials and transparent and efficient pricing. ➢ Bid Assist Platform: Real-time updates on current government tenders, unlocking new opportunities for SMEs. It provides a zero-CAC (Customer Acquisition Cost) to Ofbusiness.	➢ Strong private label portfolio ➢ Largest multi-product brand into construction materials spread across India and global footprint. ➢ Focus towards leading into B2C offerings with franchise model and local partnerships.	➢ Among the few with metal processing capabilities via cloud manufacturing, partnered with 32+ QC-certified metal customization providers. ➢ Strong digital adoption with most transactions taking place on the platform, optimized pricing, tailored procurement of semi-finished and finished goods.	➢ Largest steel trader, handling 20x monthly volume of the closest competitor. ➢ Ties with top steel manufacturers and large procurement capability. ➢ Access to extensive distribution and a vast network of small dealers, maximizing market reach. ➢ Offers end-to-end supply with custo-mized, on- demand steel quantities for downstream dealors and OEMS needs.

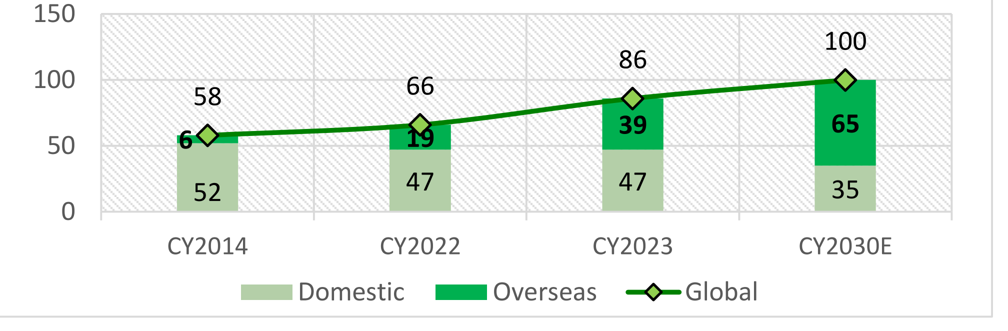
Steel Trading Existence and Dominated by Japanese Trading Giants

Steel trading has established itself as a vital and enduring business, thriving for nearly two centuries. Japanese companies such as Marubeni, Sumitomo, and Nippon Steel Trading have played a dominant role in this industry. These firms not only serve domestic markets but also maintain a formidable global presence, backed by their extensive trading capacity, robust distribution channels, and integrated manufacturing networks, making them indispensable players in the sector.

Despite Japan's lack of natural resources, it remains the second-largest net exporter of steel globally, exporting ~26 MT annually, following China, which exports around 85 MT. Key contributors to global steel consumption include companies like AM/NS, with an annual crude steel production of ~44 MT. This aligns with their total steel capacity of around 66 MT, projected to expand to 100 MT by 2030.

Global Steel Production Capacity	2014	2022	After the acquisition of U.S. Steel	Strategic Goal
Domestic	52	47	47	35
Overseas	6	19	39	>60
Global	58	66	86	>100

NS Global Steel production – Initiatives towards Strategic Goal >100 MT



Sumitomo in partnership with Nippon Steel runs a total of +50 service centers world wide. Their first service center established in 1970, providing range of customized steel products and services as slitting, cut to length, sheets as per requirements and managing inventory acting as warehouse. This steel service centers process ~ 7 MT of steel through its 24 companies operating this 46 centers globally. Nippon Steel Trading has also expanded its processing centers in India at two locations Neemrana, Rajasthan and Sri City Andhra Pradesh to increase its downstream steel supply to OEMs and Manufacturers offering steel sheets, cut to length sheets required for automobiles and electrical equipment manufacturers. Both of them are looking to grow into US and India by partnering with India company's. This partnership allow access to high quality steel and large customer of emerging markets and newer opportunity.

SG Mart's large-scale procurement capabilities enable steel trading at lower rates compared to fragmented dealer markets in India, a key advantage over Sumitomo-Nippon's traditional business. This bargaining power also mitigates price fluctuation risks, ensuring standard costing for its customers. Furthermore, SG Mart's localized dealer connections and faster-paced expansion strategy provide unmatched agility, allowing it to stay ahead in reaching tier 2 – 3 cities. By strategically integrating its service centers with trading operations, SG Mart not only competes with but surpasses global players like Sumitomo-Nippon, positioning itself as a future-ready in the steel trading industry.

New Age Global Businesses in the Steel Trading B2B Marketplace:

The steel trading landscape is evolving rapidly with the increasing shift from traditional trading business to digital B2B marketplaces. This transition has intensified competition, especially as the sector presents low entry barriers. Global players such as **Stemcor, TS Steel International Trading and Steelforce** are enforcing innovative strategies, partnerships with large steel manufacturers, and operational efficiencies to enhance building and construction material market presence.

Stemcor is a leading steel trading and distribution company offering a wide range of upstream and semi-finished steel products. Serving industries such as automotive, consumer goods, and oil & gas, it caters to steel mills, dealers, and OEMs. The company addresses market gaps by stockholding steel products, enabling smaller buyers to source in required quantities while avoiding warehousing challenges. Stemcor traded 2.8 MT in CY23, up from 2.5 MT in CY22, with a turnover of around USD $1.9 Mn and avg sales/ton is USD $711, showcasing its ability to capitalize on market opportunities. Its product portfolio includes long, flat, and tubular steel products in carbon, stainless, and engineering steels, along with supply chain management support like credit facilities. Stemcor's tailored solutions and broad customer base have established it as a trusted name in global steel trading.

TS Steel International Trading specializes in prime and non-prime steel products and processed steel services like slitting and coating. With operations spanning over 30 countries and partnerships with 2,200 global contacts, it leverages its network to trade approximately 120,000 tons annually, making it a significant player in the international steel trading ecosystem.

Steelforce is a global steel trading leader, leveraging decades of experience, deep market knowledge, and a broad supplier network to deliver tailored solutions. With a strong focus on market and product diversification, the company has established a presence in 115 destinations worldwide. Steelforce's core business pillars include Steel Trading, Logistics, Operational Execution, and Trade Financing, ensuring timely and efficient delivery via multimodal transport, including sea and land. Its processed steel capabilities further add value, transforming semi-finished products into advanced offerings such as cut sheets, oxy-cut steel parts, and lacquered finishes. Serving over 1,000 customers and processing more than 5,000 orders annually, Steelforce generates a turnover exceeding €2 billion. Its geographical reach spans America (33%), Africa (41%), Europe (21%), and Asia (4%), supported by a robust logistics network and streamlined financial systems. This combination of expertise and global connectivity positions Steelforce as a trusted partner in the steel trading industry.

B2B steel marketplace is becoming increasingly dynamic, with each competitor building unique strengths such as stockholding, value-added services like tailored steel processing, logistics integration, and financial availability to enhance competitiveness and capitalize on emerging market opportunities.

Key Risks

Supply Chain Issue

SG Mart faces demand risks from inflation and slowdown in infrastructure, potentially impacting revenues.
Environmental and geopolitical tensions or regulatory changes pose supply chain risks, which SG Mart mitigates the risk through strong supplier partnerships. It also addresses logistics delays through its strategically placed service centres cum warehouses. The company is in the process of identifying further such locations for opening up new warehouses / service centres.

Pricing Fluctuation

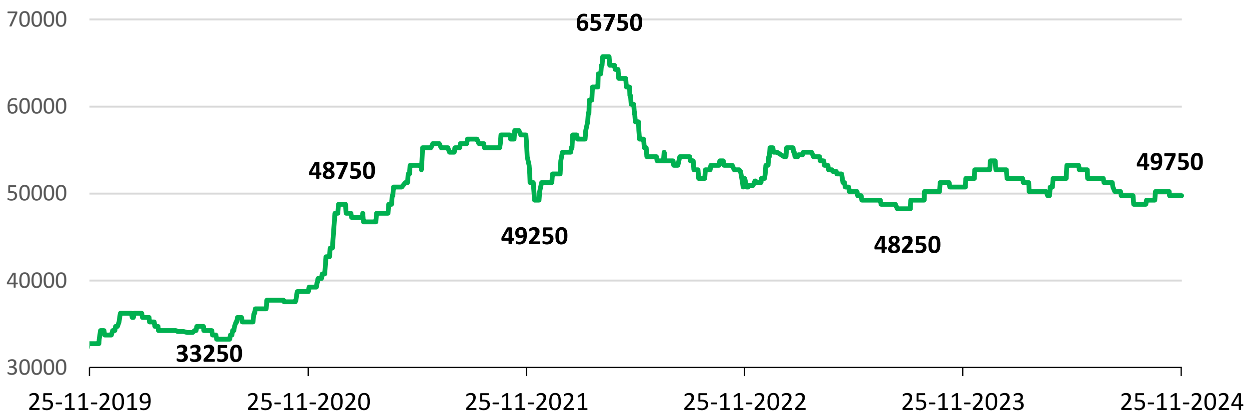
Steel as a commodity, experiences frequent price fluctuations due to weak demand and economic slowdowns, which can lead to inventory losses. SG Mart mitigates this with low working capital days and a model that secures absolute margins and minimizes debtor risk through channel financing, ensuring financial stability.

Competition

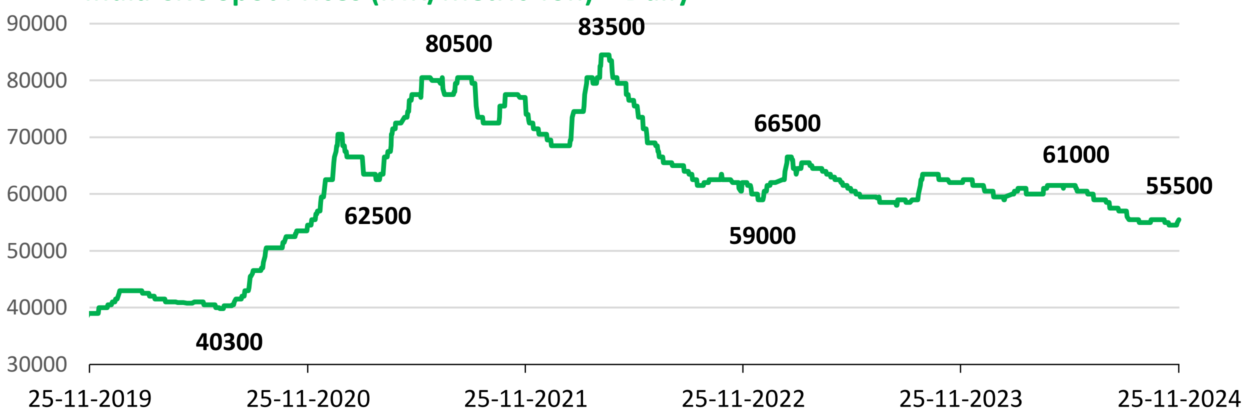
While the B2B marketplaces for construction materials, witnessing increasing opportunities, SG Mart has the advantages of financial strength, existing relationships with primary steel producers and visibility to PAN India demand.

China HRC Spot Price (INR/Metric Ton) - Daily

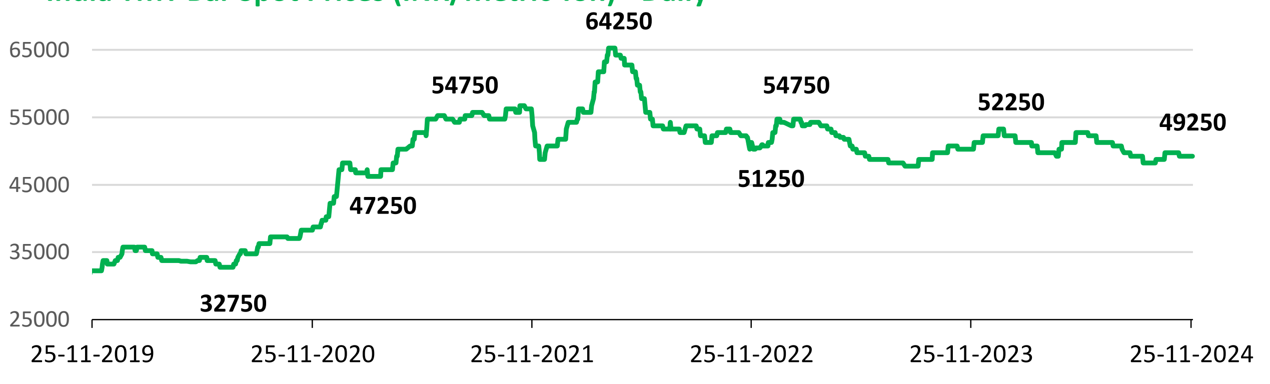
India HRC Spot Price (INR/Metric Ton) - Daily



India CRC Spot Prices (INR/Metric Ton) – Daily



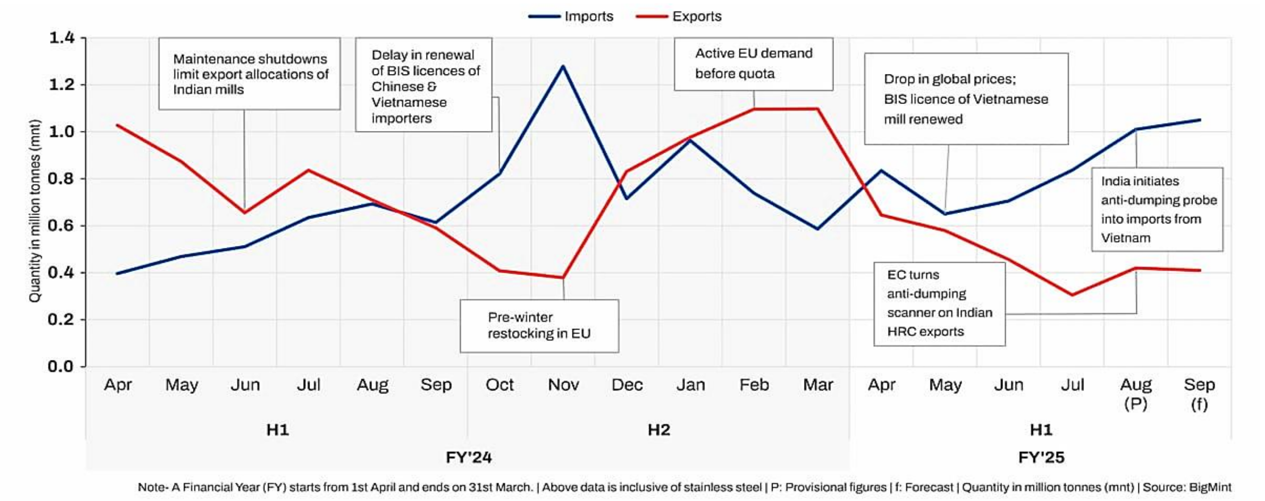
India TMT Bar Spot Prices (INR/Metric Ton) - Daily



INDUSTRY OVERVIEW

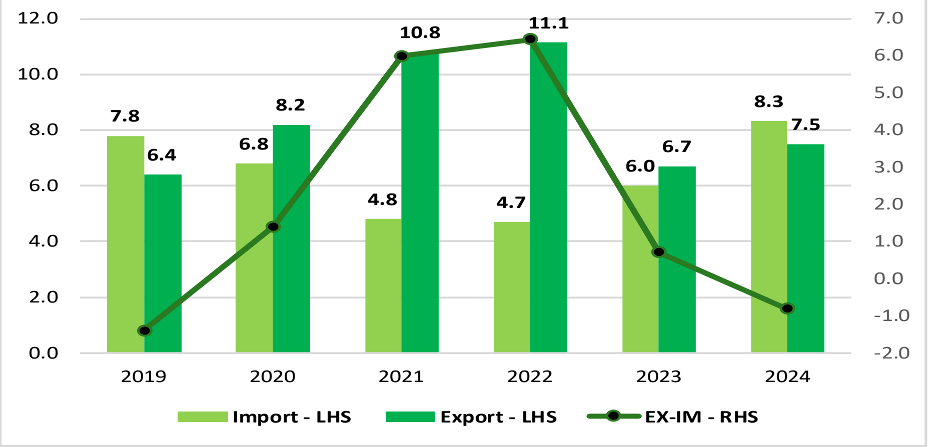
India, the second-largest steel producer globally, holds a 7.4% share in world crude steel production and stands to gain significant market share from China, which currently dominates with 53.9% of total crude steel production, a capacity that is 7x and remain key player accounting for more than 27% of global exports. The total crude steel production in India reached 143 MT in FY24, marking a 15% YoY increase from 125 MT in FY23. India's total finished steel imports reached to a 6-year high of 3.7 MT, with China shipping 1.1 MT of alloy (steel) during the April to August period, reflecting a 31.7% YoY growth.

India's Finished Steel Imports Surged from China Reach 6-Year High in H1FY25, Total Finished Steel Imported was 3.7 MT between (Apr-Aug)



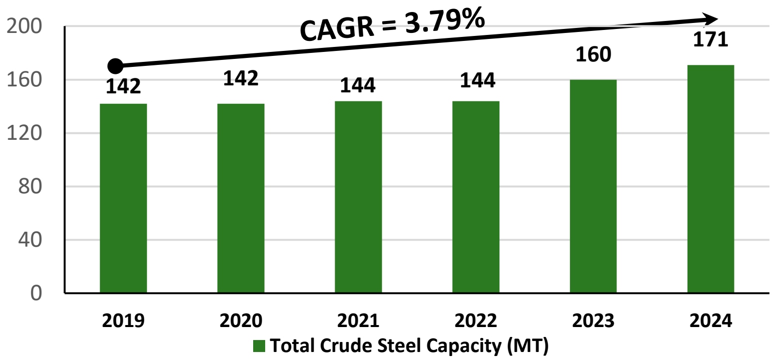
In FY24, India exported 7.49 MT of finished steel remained subdued due to sluggish global activity and geopolitical disruptions and imported 8.32 MT, leading to a trade deficit of 1.1 MT. China accounted for a big portion of India's imports at 2.7 MT, which represented 32% of total imports. This was largely due to oversupply of steel globally and slowdown in China, where the construction, automotive, and infrastructure sectors have faced a significant crisis. Following China, Korea held a 26.1% share of India's steel imports, and Japan contributed 20.3%. Flat products accounted for 95% of import share and the rest was non flat, down by 7.2% YoY.

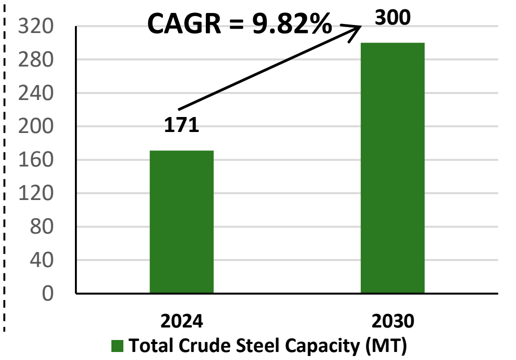
India's Ex-Im Balance: Impact of Global Steel Oversupply & Domestic Infrastructure Growth



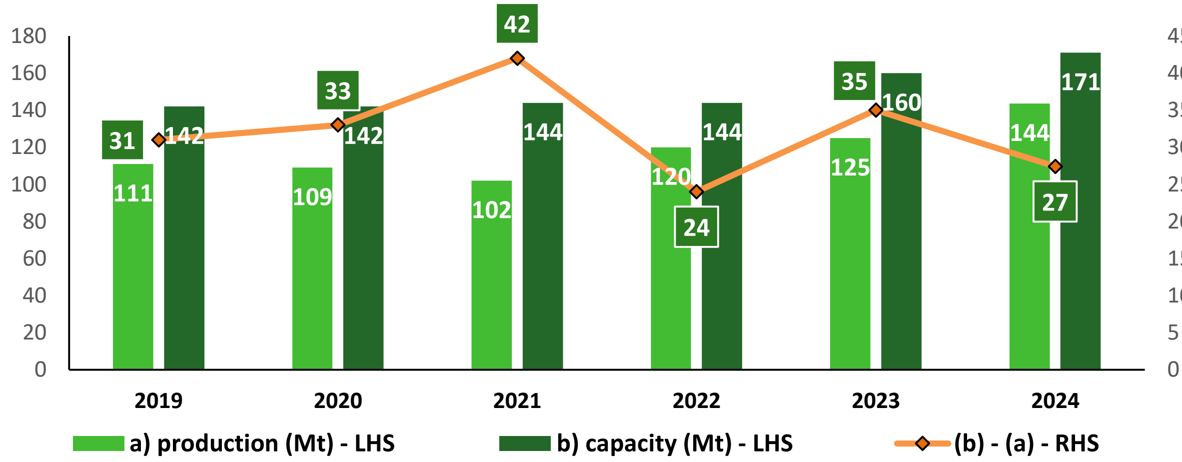
India's exports saw a substantial decline in FY23, ending a three-year upward trend (FY20-FY22), with volumes falling to 6.7 MT, a sharp 50.2% drop from FY22's 13.5 MT. This decrease was mainly due to a 15% export duty on steel products, effective from May to November 2022, which made Indian exports less competitive. Global factors like weak demand, geopolitical tensions, and inflation also contributed to this downturn. the government lifted the export duty, which led to a sequential rise in shipments. However, growth has remained subdued due to continued weak demand in major markets such as Italy, the UAE, and Belgium, along with increase in steel exports from China due to slower than expected ramp up in local demand in FY23.

India's total crude steel capacity in FY24 at 171 MT grew by 6.9% YoY from 160 MT in FY23, India's steel production has been increasing with CAGR of 3.79% from 142 MT in FY19 to 171 in FY24. India is likely to add new steelmaking facilities with capacity expansion of 40MT per year in FY25-26. SG Mart anticipates a 50% increase in India's steel capacity by December 2025, making it best time to start a steel trading venture to leverage the growing demand in the steel industry.



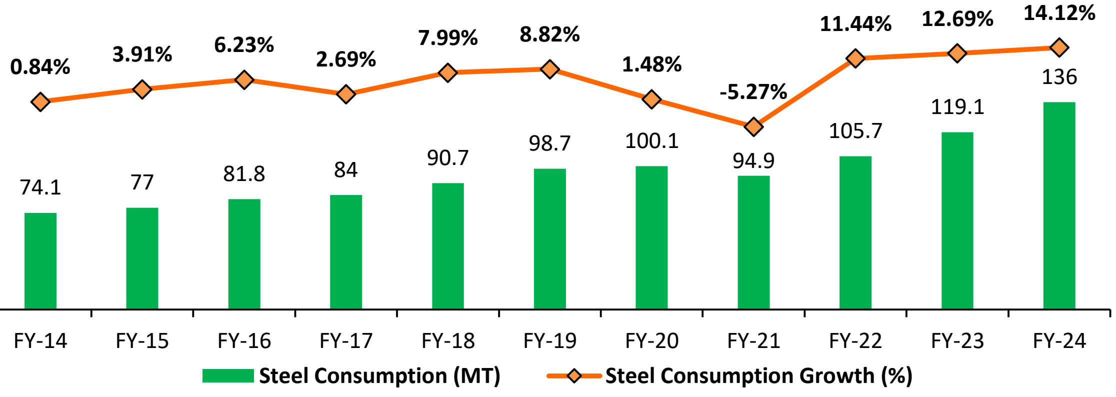


The domestic crude steel production has grown at a CAGR of 5.28% in the last five years to reach at 144 MT in FY24 from 110.9 MT in FY19. Large steel manufacturers' capacity utilization has been in the range of 80% to 90% in FY24 and most players have announced the expansion of crude steel capacities.

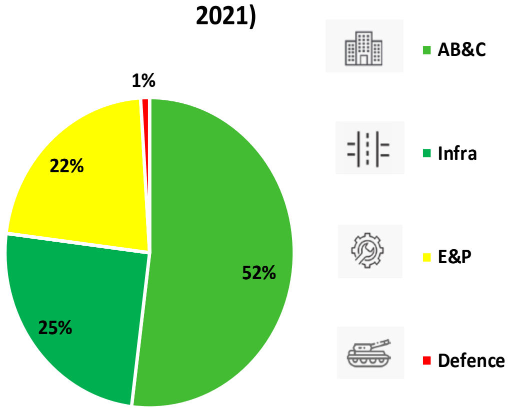


India's per capita steel consumption in 2022-23 was 93.4 kg, whereas the global average was 219 kg. The National Steel Policy 2017 envisages achieving 300 MT of production capacity from the current level of 169-171 MT to cater to the expected steel demand of 230 MT by FY31 and consequently increase the per capita steel consumption to 160kg per capita by 2030-31. The steel has an output multiplier effect of 1.4x on GDP and an employment multiplier effect of 6.8x in India. Thus, the steel industry has significant domestic potential and is expected to play a key role in the future economic growth of the country.

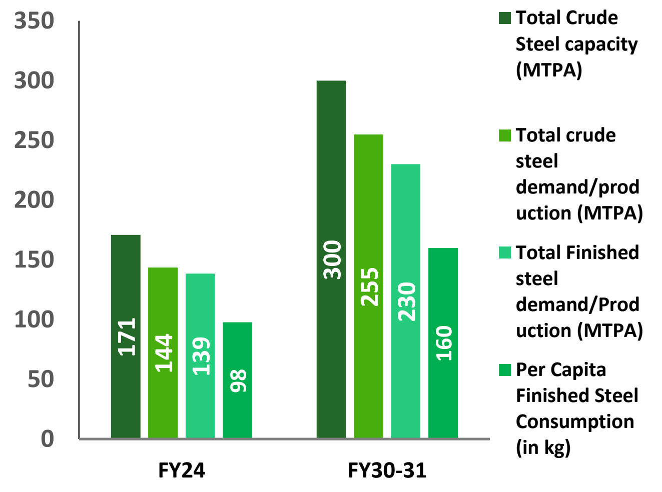
Domestic Steel Consumption and Growth Rate



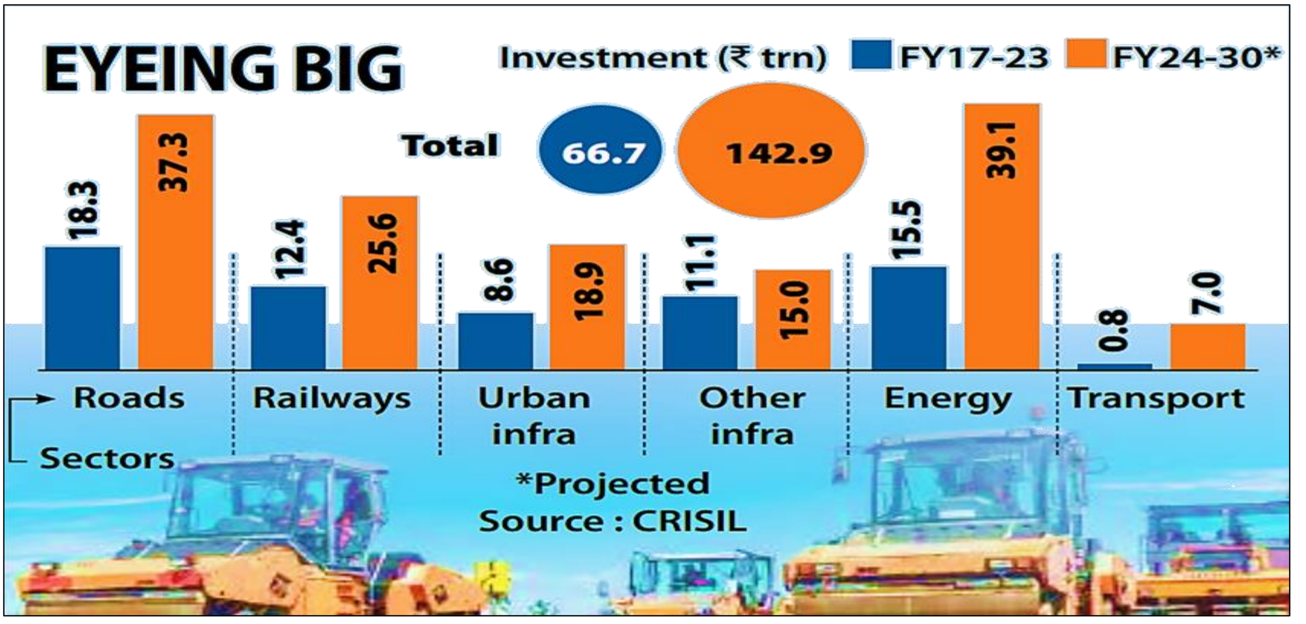
Segment-wise distribution of demand for steel (Crisil, 2021)



Note: AB&C (Automotive, Building & Construction), E&P (Engineering & Packaging)



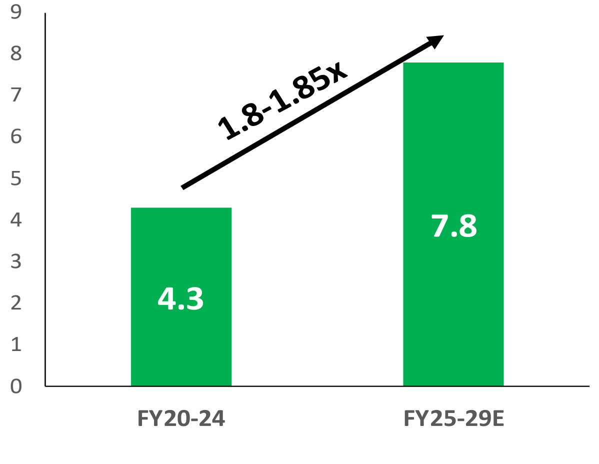
India's sectoral share growth is driving the demand for end use of steel with large contribution from B&C (43%), infrastructure (25%), automobile (9%), white goods like engineering and packaging (22%), and defence (1%). The per capita steel consumption in India increased to 97.7 kg in FY24 from 86.7 kg in FY23, the global avg. per capita consumption was 223.7 kg in 2022. The rural per capita consumption is even lower with only 23 kg, which is far less than the national average. Private sectors dominates the B&C, E&P with around 80-90% of steel consumption and 95% of Infra & Defence steel consumption is through government entity.

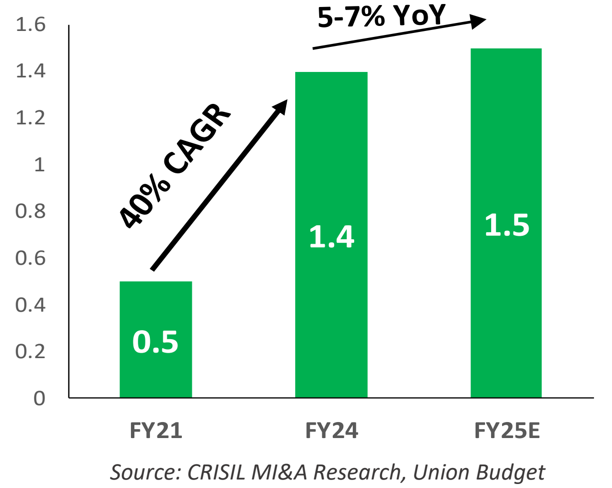


India is the 7th largest manufacturing hub and 5th largest retail distribution market for construction material, expected to reach US $119.5 Bn by FY26. However the sector continues to be one of the weakest and yet to be disrupted by technology in a systematic way with penetration of B2B marketplace is ~1% as against US/China where it is 25% digitized. Indian B2B supply chain continues to operate in a highly inefficient, fragmented, and localized manner flowing through multiple levels of intermediaries. **The Construction and Infrastructure (including real estate) sector consumes ~65% of total steel produced in India**. Followed by automobile sector contributes ~11% in steel demand which is anticipated to grow from 16.0 MT in FY24 to 31.5 MT in FY34 with CAGR of 7%. Engineering and Packaging sector is also expected to witness a moderate increase in steel demand from 26.0 MT in FY24 to 46.5 MT in FY34. Demand for processed metals (processes such as welding, cutting, punching, etc.) is high with marketplaces commanding additional 4-6% margin vs. general products.

The government has committed INR 11 TN towards this growth of infrastructure with government projects as National Infrastructure Pipeline (NIP) with investment of $ 1.5 Tn committed over the period of FY20-25. Construction sector, with a particular emphasis on building +100 smart cities (flagship government initiatives towards city and urban infra development and the housing sector, prioritizing the development of affordable housing (with government schemes such as the Pradhan Mantri Awas Yojana (PMAY) investment outlay to over INR 790 Bn saw 66% increase from previous year budget) aims to build +16 Mn houses to be built in FY24. The industries and business which is into construction and building materials is bound to grow exponentially.

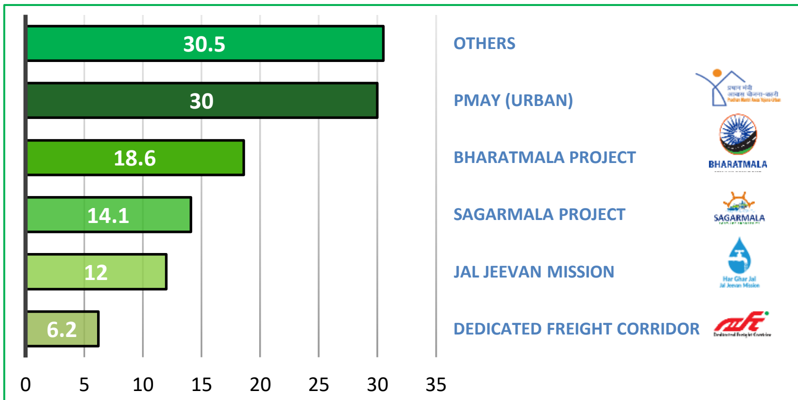
<u>India's Urban Infrastructure capex is projected to increase by ~80% in the coming 5 years. (in TN)</u>





Source: CRISIL MI&A Research, Union Budget

For Infrastructure**, India will spend nearly INR 143 Trillion (Tn) between FY24-30E, ~2x of INR 67 Tn spent during the previous seven years.** Out of total, ~ INR 36.6 Lac Cr. Will be green investments making 5x rise compared to FY17-24. Tier 2 and 3 cities are experiencing significant infrastructure development, including improved transportation networks, modernized utilities, and better connectivity. **India's urban population projected to top the ~600 Mn mark, representing ~40% of overall population by 2035. Real Estate sector is expected to reach US$ 1 TN by 2030 from US $200 BN in 2021 – an unprecedented 5x increase in less than a decade.**



*Government Projects Estimated Steel Consumption - **~111 MTPA** of steel
*Estimated Budget – **INR ~26 Tn, steel constitutes 19% of total project cost**.
*Data above is presented in million tons per annum (MTPA).

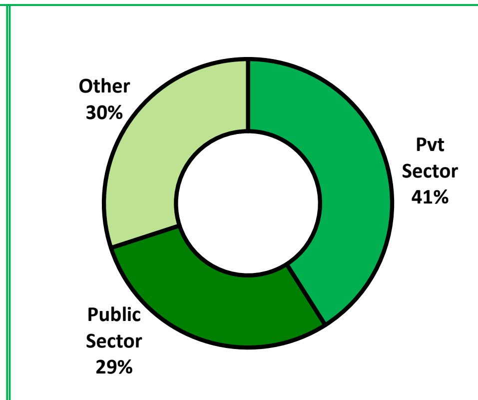


***Figure by FY2023, total finished steel consumption – 136.29 MTPA.**
***Sector-wise breakdown of steel consumption.**

B2B marketplaces are evolving, with platforms now functioning as comprehensive ecosystems that facilitate the entire transaction process between buyers and sellers. These full-stack marketplaces offer services beyond mere connection, including product assortment, quality assurance, warehousing, and logistics, enhancing the overall transaction efficiency.

The growth potential for these marketplaces is underpinned by a strong e-commerce infrastructure already in place, supported by logistics and payment systems like UPI (Unified Payments Interface). Key government initiatives such as the Open Network for Digital Commerce (ONDC), Account Aggregators, and the Open Credit Enablement Network (OCEN) are further strengthening the digital ecosystem. Additionally, regulatory measures including GST (Goods and Services Tax), TREDS (Trade Receivables Discounting System), and the Production Linked Incentive (PLI) scheme for manufacturing are creating a more conducive environment for scaling B2B operations**. B2B marketplaces are well-positioned to experience accelerated growth, becoming critical enablers in streamlining business transactions across diverse sectors including (construction material and infrastructure).**

Company Overview

- SG Mart is one of India's largest suppliers of construction materials, boasting a trading capacity 20 times greater than the current second-largest steel trader. As part of the APL Apollo Group, with decades of experience in downstream steel manufacturing and as India's largest steel consumer, SG Mart has harnessed itself with an extensive network of over +1500 distributors and large dealers connect to drive efficient market reach.
- Established in June 2023, SG Mart achieved a trading volume of 0.5 Mn tons of steel in its first year through its B2B vertical. To capitalize on further growth, the company has expanded into the B2C sector, offering a non-steel pipe product portfolio. While products, such as TMT bars, wire mesh, binding wires, are sold under white-label segment with APL Apollo branding with zero branding costs, SG Mart has partnered with leading manufacturers in construction materials, including tiles, sanitary ware, lights, and fittings, further strengthening its product portfolio.
- As a one stop solution for construction and infra materials, SG Mart offers high-quality products at standardized prices and customized quantities. The company maintains over 90 suppliers, more than 2,500 SKUs, and serves 800+ customers across India.
- With 60-70% of revenue derived from its B2B vertical (comprising of B2B trading and service centers), SG Mart has ambitious plans to enhance its trading business by investing in opening 101 service centers by FY2030E. These centers will serve as warehouses and processing hubs, addressing the needs of India's fragmented trading market. Company, currently has 2 operational service centres, one each in Dujana and Bangalore. Three new service centres Pune, Raipur and Dubai are expected to be operational by Q4FY25. Service centres in Tier I cities are expected to process ~ 10,000 tonnes monthly and Service centres in Tier II are expected to process ~ 2,500 tonne monthly volume. Sheet processing will yield ~ 3% - 4% margins. These facilities will play a crucial role in serving tier 2 and 3 cities across India, ensuring standardized pricing and minimizing time of delievery and freight costs.
- SG Mart is expected to maintain an inventory cycle of ~10-15 days.
- The company aims to become India's largest steel trader, targeting total volume of ~ 10 MTPA by FY2030E, with a dominant position in the B2C market, where branded and white-labeled products contribute around 30-35% of revenue. SG Mart currently trades about 80k tons of steel & zinc monthly, with an annual volume expected at 1 MT in FY25. According to management, the company plans to add 10-12 new centers each year, further enhancing its B2B revenue mix to generate higher margins of 2-2.5% and expanding its end-to-end supplier network.
- With strong support from the experienced promoter of APL Apollo Group, SG Mart is primed to execute its growth strategy and achieve success, drawing on a proven track record of building robust businesses from the ground up.

Personnel	Designation	Description
Mr. Shivkumar Niranjanlal Bansal 	Managing Director	Mr. Shivkumar Bansal has 27 years of experience in sales and marketing across a diverse range of products. An MBA by qualification, he has also managed operations and administration throughout his extensive career across multiple industries.
Mr. Suraj Kumar 	Chief Financial Officer	Mr. Suraj Kumar is a qualified chartered accountant with an experience of more than 15 years spanning across and held various leadership positions into areas as Treasury Management, Import and Export Matters, Taxation, Banking Operations, Foreign Trade Policy Matters
Mr. Sachin Kumar 	Company Secretary	Mr. Sachin Kumar is a qualified Company Secretary from the Institute of Company Secretaries of India and also a Law Graduate, with about 9 years of experience in the relevant roles. He has experience in the compliances relating to Companies Act, SEBI Regulations, NBFC sector etc.
Mr. Amit Thakur 	Executive Director	Mr. Amit Thakur brings over two decades of expertise in marketing and procurement within the steel industry. Graduating in B.E. Mechanical Engineering, he began his career in marketing before advancing to Head of Sourcing at POSCO Maharashtra Steel. He joined the APL Apollo Group in October 2022 as AVP for Procurement and now serves as Director, utilizing his extensive industry knowledge to drive procurement and application strategies at SG Mart.
Mr. Arihant Chopra 	Independent Director	Mr. Arihant Chopra, registered with the Ministry of Corporate Affairs (MCA), staying in India and currently serves as an Independent Director for two companies including SG Mart. He is a qualified CS with an LLM & Post Graduate Diploma and expertise in corporate laws, finance, and forensic science.
Mr. Prakash Kumar Singh 	Independent Director	Mr. Prakash Kumar Singh is a seasoned expert with 40 years in the iron and steel industry. A Metallurgical Engineering graduate from IIT-Roorkee, he began his career at the Steel Authority of India's Bokaro Steel Plant. He has served as President of the Steel Research Technology Mission of India (SRTMI) under the Ministry of Steel and held senior leadership roles, including President and Director positions at Vedanta and APL Apollo Group.

SG Mart – Q2FY25 Con-Call Highlights:

Guidance

- The company aims to achieve a revenue target of INR 65 Bn in FY25, with volume growth boosting performance and maintaining EBITDA positivity within a 2% range.

- SG Mart has set an ambitious revenue target of ~INR 180 Bn by FY27, projecting an EBITDA margin of 2.5% and sustaining a robust ROCE of ~30%.

- Service centers are expected to play a pivotal role in revenue growth, with plans to open ~12 centers per year, aiming to increase the revenue share of these centers to ~45% within the next 2-3 years.

Operational & Business Verticals Update

- SG Mart experienced an inventory loss of ~INR 175 Mn, translating to an inventory devaluation of around INR ~4,500 per ton. The company achieved a steel volume of 360K tons, with contributions from B2B metal trading at 65%, service centers at 20%, and B2C distribution at 15%, resulting in a net working capital of -8 days.

- The reported negative working capital position for Q2, is anticipated to continue for the next 2-3 quarters, with recovery expected in the midterm.

- Despite the recent slump in steel prices hitting a four-year low SG Mart has established scalability across its business segments, trading over 350K tons of steel in Q2 (equivalent to ~120K tons per month).

- Steel price volatility has been significant, with prices dropping by 50% over six consecutive cycles within a three-month period. In addition, construction sector sluggishness, influenced by election cycles, delayed budget allocations, and the monsoon season, has impacted growth expectations.

- The company views these as short-term issues, with a targeted trade volume of 160K tons of steel monthly in FY26, aiming for further growth to 200K tons per month by FY27.

- SG Mart's volume growth has been strengthened by its strategic approach, including the import of steel and partnerships with leading steel traders, which have maintained strong momentum in steel volume trades.

- The company currently operates three service centers, with two additional centers slated to open in the upcoming quarter. An additional center in Dubai, managed through its subsidiary FZE, is expected to be operational by December FY25.

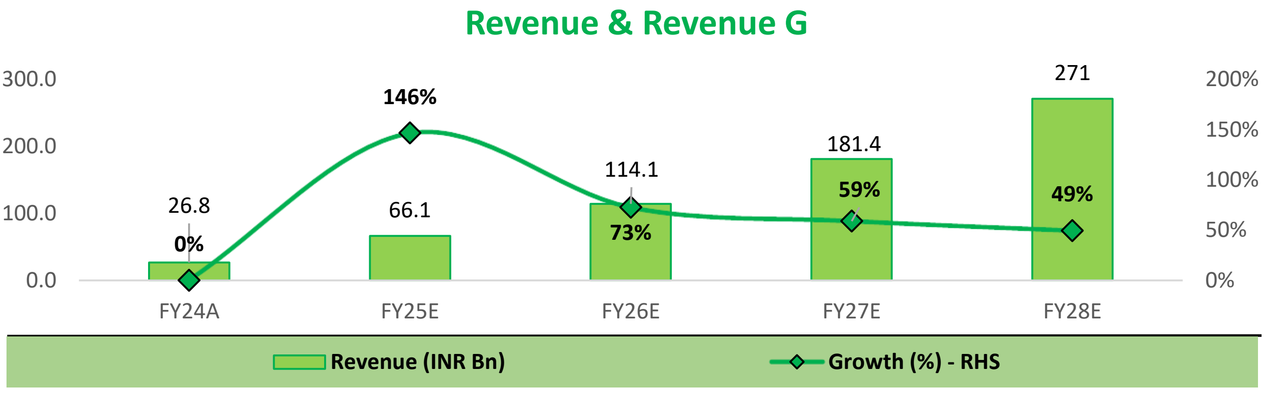
- Expansion plans include establishing 10 new service centers in FY26 across key cities such as Chennai, Indore, Jaipur, Siliguri, and Hyderabad, with an additional 25 centers expected by FY27.

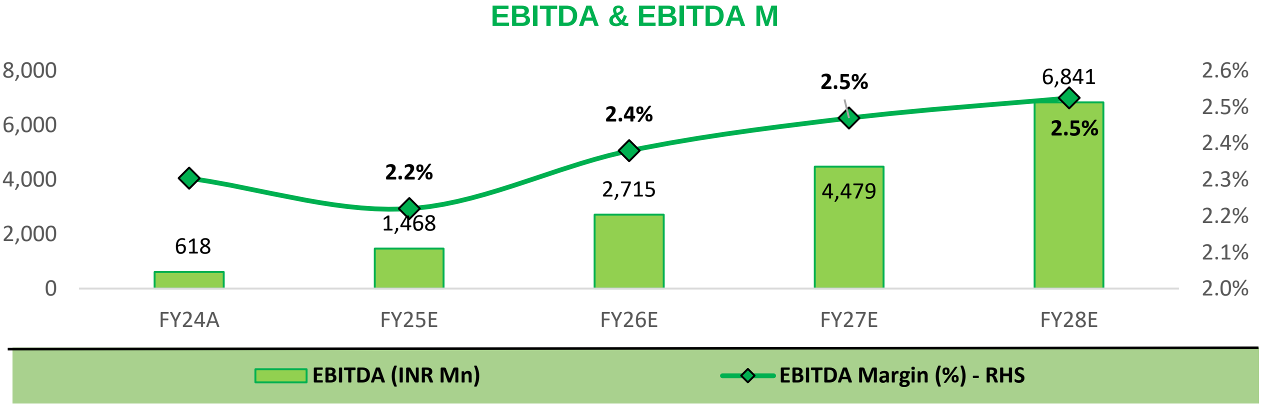
- SG Mart has identified a new growth opportunity in the solar profile structure market, specifically for ground-mounted solar EPC contracts. Existing market for these structures is currently at 40K tons per month, ~INR 2.5 Bn in market value. Operations are expected to commence in January, with production processed at service centers, converting flat sheets into structured profiles.

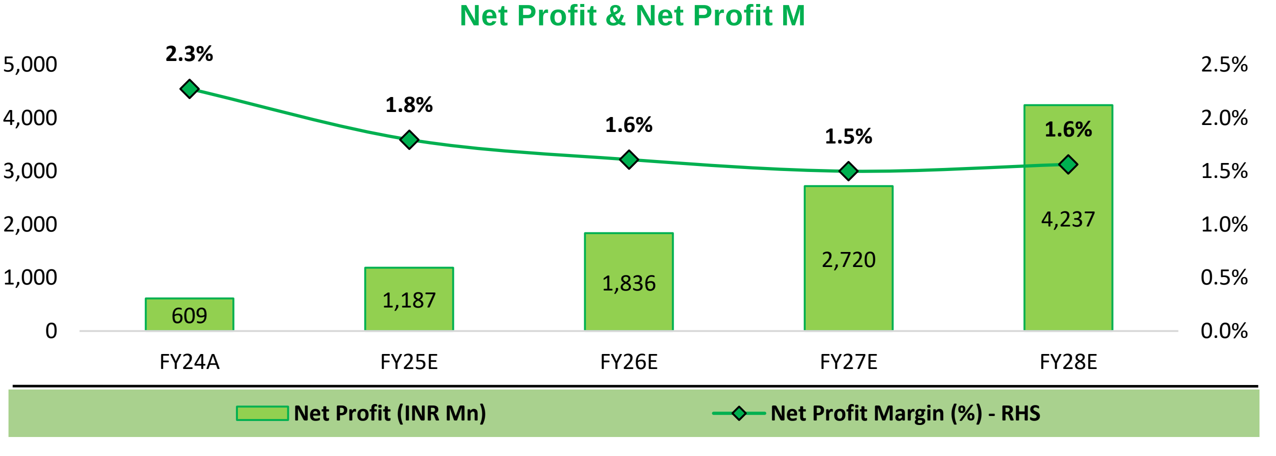
- In its B2C segment, SG Mart has introduced light structural handles and channels under a white-labeling model, leveraging its existing distribution network of over 1,250 customers.

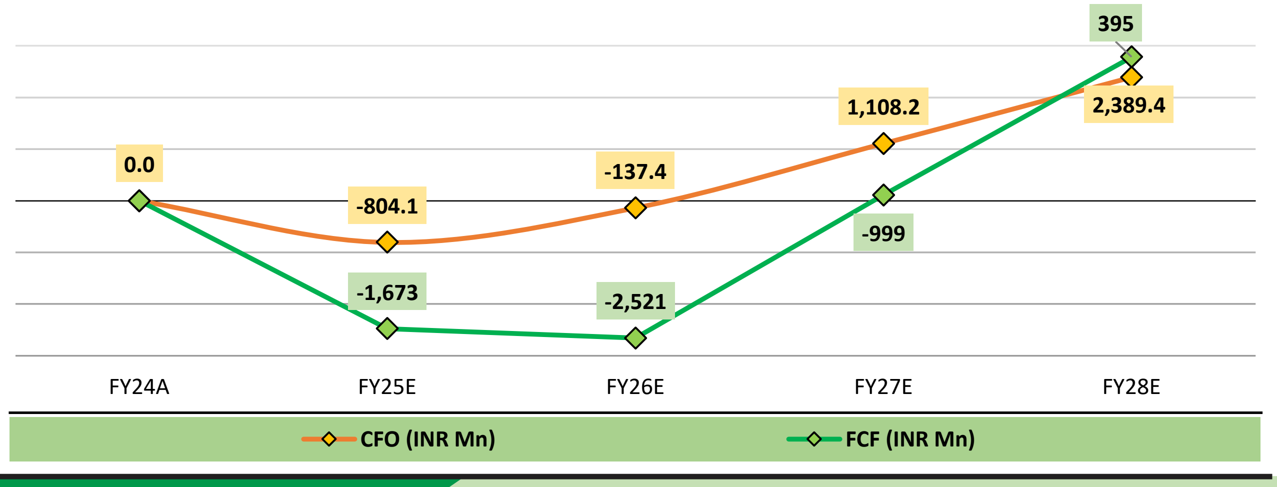
- The company’s workforce includes 120 professionals dedicated primarily to service center operations, and it serves ~180 clients. SG Mart has also formed partnerships with various manufacturers who are leaders within their respective product segments.

Investment Thesis in Charts









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

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**

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

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)	68.9	39.3	22.9	15.4	9.9
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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