



Date: July 31, 2025

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

Scrip Code: 512329

Dear Sir/ Madam,

Subject: Transcript of the Conference Call held on July 28, 2025

With reference to our letter dated July 19, 2025 intimating you about the conference call with Analysts and Investors held on July 28, 2025, please find attached the transcript of the aforesaid conference call.

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

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

Thanking you

Yours faithfully,

For SG Mart Limited

(Formerly known as Kintech Renewables Limited)

Sachin Kumar
Company Secretary
ICSI M. No. A61525

Encl: a/a

SG MART LIMITED

(formerly known as Kintech Renewables Limited)

Registered Office: H. No. 37, Ground Floor, Hargovind Enclave, Vikas Marg, Delhi-110092
Corporate Office: A-127, Sector-136, Noida, Gautam Buddha Nagar, Uttar Pradesh-201305
Tel: 011-44457164 | Email: compliance@sgmart.co.in
Website: www.sgmart.co.in | CIN: L46102DL1985PLC426661

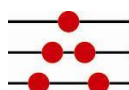


“SG Mart Limited 1QFY26 Earnings Conference Call”

July 28, 2025



SG MART
ONE MART. INFINITE POSSIBILITIES



AMBIT
Acumen at work



MANAGEMENT: **MR. AMIT THAKUR – DIRECTOR (B2B METAL) TRADING, SG MART LIMITED**
MR. SURAJ KUMAR – CHIEF FINANCIAL OFFICER, SG MART LIMITED
MR. NAMAN RASTOGI – GM (STRATEGY), SG MART LIMITED
MR. ARCHIT ARORA – VP (SERVICE CENTER & DISTRIBUTION BUSINESS), SG MART LIMITED
MS. ANAMIKA GULATI – SENIOR GM (RENEWABLE BUSINESS), SG MART LIMITED
MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER, SG MART LIMITED

MODERATOR: **MR. KUMAR SAUMYA – AMBIT CAPITAL PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the SG Mart Limited 1QFY26 Earnings Conference Call, hosted by Ambit Capital Private Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kumar Saumya. Thank you, and over to you, sir.

Kumar Saumya: Thank you, Anushka. Good afternoon, everyone. And thank you for joining us today. We at Ambit Capital are pleased to host SG Mart's 1QFY26 Results Conference Call.

We have with us today, Mr. Amit Thakur – Director (B2B Metal Trading), Mr. Suraj Kumar – Chief Financial Officer, Mr. Naman Rastogi – GM (Strategy), Mr. Archit Arora – VP (Service Center and Distribution Business), Ms. Anamika Gulati – GM (Renewable Business), and Mr. Anubhav Gupta – Group Chief Strategy Officer.

I will now hand over the call to the Management for opening remarks post which we will open the floor for a Q&A. Over to you, sir. Thank you.

Anubhav Gupta: Thanks, Kumar. And thanks to Ambit for hosting SG Mart's 1QFY26 Earnings Call. I welcome all the participants who have joined this call.

We are a young team. That's why you see all the business heads are here to attend this call and address any queries which you may have. And we also have Mr. Shailendra Arora, who heads our TMT business.

It has been 2 years since we conceptualized SG Mart and started the business with the vision to become India's leading B2B trading platform. Over the last 8 quarters, we have been able to create 4 business verticals to achieve this goal.

Number one business vertical is B2B metal trading. Second is establishment of a network of service centers in the country and abroad. Third is the distribution business, which comprises of TMT and other downstream steel products. And number four vertical, which we added recently, is the renewable business.

Over this time, we have been able to create a network wherein we have 2,312 customers, which are onboard. And almost 246 suppliers are onboarded with us. So, that is the strength of our marketplace what we have created in the last 2 years. The competence here is to buy bulk steel from the steel mills and either to trade it to gain sales volume or to do some value add to gain on the profitability.

Interestingly, if I elaborate on this, in FY '25, the Service Center business contributed 33% to our volume, but in terms of EBITDA, the contribution was 50%. Similarly, in Q1, the Service Center business contributed 50% to the revenue and the contribution to EBITDA was 60%. And we added renewable business just to continue on this strategy, wherein you keep on adding multiple product lines, which are highly profitable, and it shall improve the profitability for the company and ultimately improve the ROCE, ROE profile.

TMT business is now on a pure royalty model, which is right now breaking even. It may require some minor investments to acquire more customers and get more partners on board.

Now coming specifically to Q1 performance:

There was a miss on B2B trading volume due to poor steel availability in India in the first 3 months of the current financial year. This is evident from the sales volume data of top 3 steel producers which has come out. The Q1 volume for them declined by 11% versus Q4 FY '25. So, this also impacted SG Mart because right now almost 95% of business is coming from steel. So, steel availability did impact our business as well.

But coming to Service Center business:

The monthly run rate is now 40,000 tons a month from 5 operational service centers, which are one in Ghaziabad, second in Raipur, third in Bangalore, fourth in Pune and the fifth one in Dubai.

We have acquired land for 2 new service centers, which are under construction, one in Jaipur and second one in Ahmedabad and we are scouting for 3 more land parcels, one in Indore, second in Punjab and thirdly in South India. It would be either Chennai or Hyderabad.

Meanwhile, we are creating our positioning pan-India, and we are excited the way this business model got scaled up, which is backed by our brand equity. So, what we have done is that we have taken 2 service centers on lease as well in the second quarter, one in Indore and second one in Ahmedabad. So, the volumes from these leased out service centers will start flowing from Q2 onwards.

This goes on to adding to the asset-light model, where we believe that one city may have more potential to do more volume. So, rather than investing into second service center, better is to take on the leased ones.

Third vertical, TMT, it is scaling up pretty well. The Q1 volume was 39,000 tons versus 33,000 tons in Q4. We added one partner in Chennai in Q1. And in next 9 months, we are going to add 3 more, maybe 4, one in West Bengal, second in Andhra Pradesh, third in Gujarat and fourth one to cater to the East market. Right now, there are 11 franchisee partners, which are operational.



Lastly, on the solar business, we started on a strong note with the current order book of around Rs. 285 crores. Now, this is executable over the next 6 months, and we expect similar worth of orders to book in next 1 to 2 months. So, for the full year, we shall be doing around Rs. 400 crores to Rs. 500 crores worth of business from renewable business.

On the distribution business, which is non-TMT, which are steel downstream products, here also the revenue for the Quarter 1 was Rs. 196 crores, which was a significant scale up versus Q4, where the revenue was around Rs. 125 crores, Rs. 130 crores. So, that business is also doing pretty well as we continue to scale that up.

So, in Quarter 1, when we saw that the steel supply is going to become a challenge, so we focused on profitability. So, whatever steel we bought, we ensured that we do some value add, we do some processing, and we generate profits out of it.

That is why despite such a low volume and such a low revenue, our EBITDA margin increased, which surpassed 3%. So, this also suggests that, I mean, on how lean cost models we are working despite a decline in revenue, I am talking about Q-o-Q, we are able to improve our EBITDA margins.

Now coming to how we see the next 9 months, we are not at all disappointed by our Q1 performance because what we see is that almost 7 million tons of new steel capacity is going to get added in the second half with the Jindal Steel and Power blast furnace and Jindal Stainless blast furnace getting fired up. And this will almost add 10% to the existing steel capacity in the country. And what we also saw was that the imports also opened up for next 3, 4 months.

So, there is no risk to our FY '26 guidance of Rs. 200 crores worth of EBITDA. We are 100% maintaining this guidance. You shall see the ramp up from Q2 onward itself. And quarter-on-quarter, you will see improvement in the revenue and absolute EBITDA.

Now coming on the balance sheet front. Our working capital days came down to 15 days, which was always the sustainable case. In Q4, it was slightly bloated because of the advance to steel suppliers ahead of the tariffs which were imposed by the government.

But now things are back on track, and our working capital days is 15, which will remain at similar levels. This helped us to generate ROCE of 21% on an annualized basis. This ROCE will improve further as our profits improve from Q2 onwards. So, full year ROCE shall be upward of 25%.

We now have almost Rs. 1,000 crores worth of cash on our balance sheet, for which we believe that the mainly deployment will be for opening of warehouses and service centers. This will only be like Rs. 150 crores, Rs. 200 crores worth of annual CAPEX. We don't anticipate more than that. And the good part is that we are generating similar cash flows also on an annual basis.

So, mainly the cash will be used to fund the working capital as we scale up our business quickly. It is just that one roadblock we saw in Quarter 1 because of short supply of steel, but as things improve, we are highly geared up to double our turnover in next 2 years so that whatever verticals, whatever ecosystem we created, we are able to leverage that on full basis.

That is all from our side, Saumya, we can now have floor open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Vaibhav Mishra from Fin-Ally. Please proceed. We will proceed with the next question, please come back in the queue. We take the next question from the line of Vivek Patel, an individual investor. Please proceed. We take the next question from the line of CA Garvit Goyal from Nvest Analytics LLP. Please proceed.

CA Garvit Goyal: Sir, in the last few quarters, we have been seeing the divergence and natural results on the commentary. We have missed our guidance multiple times. And in addition to that, promoter holdings is also getting reduced consistently over the quarters.

So, last time when we spoke, it was already middle of the quarter, and you guided for Rs. 50 crore EBITDA for Q1 and PAT growth to be in the line with EBITDA growth only, but we did not achieve that.

So, my question is, like, I want to understand from you, why are we giving so much aggressive targets every time to the investors and falling away behind of them if the environment is so much out of our control, particularly into the B2B metal trading side? Because last time also you mentioned like you have arranged or secured the availability of the steel. But this time, we are seeing steel ability was not there in the particular quarter.

And secondly, if the opportunity is so big as per the management, then why the promoter holding is getting reduced, sir? So, these are my two questions, sir.

Anubhav Gupta: Thanks, Mr. Goyal. So, coming to the first part of it, see, I mean, coming, so number one is that full-year target of Rs. 200 crores EBITDA in FY '26, right? Now we are into 4th month of current financial year. So, what I can tell you is that there is not going to be any miss on this, right? Of course, steel is a volatile business. Trading is even more volatile, right? So, quarter-on-quarter, there could be some misses and hits, okay?

Now, why we are confident of Rs. 200 crore EBITDA or to achieve another Rs. 165 crores of EBITDA in the next 3 quarters, which is a run rate of around Rs. 55 crores on a quarterly basis?

The groundwork, the ecosystem which we have built, right, in last 2 years, whether it is related to the service centers which are now operational or the new service centers which we are going to open, right, or the leased ones which we started, the renewable business, which we started and

the order book, what we have in hands, right, or the TMT business scalability, right, the distribution products for downstream steel products, that scalability, right?

So, it's just that B2B metal trading, which is highly voluminous, and it appears high on revenue in terms of value. But rest other businesses are doing pretty well. Right? And the contribution in earnings from B2B metal trading is definitely lower than what it looks on the revenue side.

So, that is why we are confident that Rs. 200 crore EBITDA number shall be achieved. And we understand that, I mean, we have been aggressive in terms of creating the business model. And similarly, we want to articulate the same strategy to our investors and analysts that this is what we are capable of. It is just that, Q1, things were not in our control. But things are improving, and it is highly visible that how we are going to achieve our numbers for the rest of the 3 quarters.

Coming on to the second question. See, promoter holding right now is 51%, okay? And it is not going to get changed. I know maybe on website; there could be some SEBI-related classification. We shall rectify it. But what I can tell you is the family owns 51%, and it is not going to go below this number at any course.

CA Garvit Goyal: And sir, lastly, on the PAT growth. Last time, you mentioned PAT growth will be in line with EBITDA growth only, but our finance cost is increasing significantly, which is hampering our PAT growth. So, when we say Rs. 200 Cr EBITDA for full year, what kind of PAT growth are we anticipating?

Anubhav Gupta: So, see, the interest cost shall be also offset by the other income which comes, right? So, that is why we believe that PAT growth will match EBITDA growth.

CA Garvit Goyal: So, like last year, we did around Rs. 100 Cr PAT, right? So, we will be doing Rs. 200 Cr PAT this year?

Anubhav Gupta: Yes, you can do the math, right? Again, I am saying that the EBITDA growth will flow down to the PAT growth.

Moderator: The next question is from the line of Dev Jatia from Seven Rivers Holding. Please proceed. As there was no response from the participant, we would like to move to the next participant. The next question is from the line of Aryamaan Agarwal from Money Stories Asset Management.

Aryamaan Agarwal: So, you had given a long-term guidance of Rs. 18,000 crores in 2027. So, one, are we still intact with that guidance? And also what sort of guidance are we looking at for this year?

Anubhav Gupta: So, Aryamaan, see, in terms of value, right, it also depends on how the steel prices are behaving, which no one knows, right? Steel was like Rs. 48,000 per ton 6 months back. It went up to Rs. 52,000, Rs. 53,000 per ton. And now again, it may go back, it may go up, right? So, 5% to 10% price variation is a very normal thing in steel business, right?

So, that is why we are now giving guidance on the absolute EBITDA front, right? Because we know that our EBITDA spreads are protected in terms of volumes we do, right? It doesn't depend on how the NSR is moving. NSR is net selling realization.

So, that is why we are saying that FY '26, we shall do Rs. 200 crore EBITDA, which shall go up to Rs. 400 crores EBITDA in FY '27. Now for that, the revenue could be either Rs. 16,000 crores or Rs. 20,000 crores. Tough to say. It depends on like how the steel prices behave.

Aryamaan Agarwal: And in the service center bit, how do you see the service centers ramping up over the next 2, 3 years?

Anubhav Gupta: Yes. So, we are pretty happy with the performance of this business vertical in particular, okay? I mean, we are already doing 40,000 tons on a monthly basis, which was despite the fact that steel availability was low, right? If steel was there, we could have touched 50,000, 60,000 tons also on a monthly run basis, right, from the 5 service centers which are currently operational.

We want to keep on adding 5 new service centers on our own, which will be owned by SG Mart, right, every year. And 2, 3, 4 service centers, we may add on lease basically as well, right, which will further improve our ROCE and it will help us with faster scalability because if we have to go and put up a center, although it is a small one, but still, it requires some time lines, right?

So, that is why we are more excited to take this model on lease basis as well. So, yes, and in terms of margins, we are easily making 3.5%, 4% EBITDA margin, which is also like how we expected.

Moderator: The next question is from the line of Rajeev Thakkar from Algo Nest Capital. Please proceed.

Rajeev Thakkar: My question, sir, is related to two things. One is related to the employee cost that has increased. So, has there been an increase in the employee count in the recent past? And since you intend to increase and scale up the you said businesses outside metal trading, we will certainly require a lot of increase in the sales team. So, what is the plan in terms of having been increasing the headcount over the upcoming quarters? That is my first question.

Anubhav Gupta: Right. So, there are two reasons to this. One is like small portion of like notional ESOP expense which gets accounted in P&L, but that is a bit small.

Second, in Quarter 1, we hired a team for renewable business, right? The benefits will start flowing in terms of revenue, EBITDA from Q2 onwards, as you would see. And of course, TMT business also got scaled up, so some addition to sales team there. So, this employee cost increase is in line with the scalability of these business verticals over the next 2 to 3 quarters.

Rajeev Thakkar: Sir, my next question is more related to the safeguard duty that was applied, 12%. And in the various commentary and news information that we observed that that is also not something

which is surprising the overall barrier that the Indian industry was kind of expecting. So, is that kind of going to be having any impact on the overall steel availability point which you are referring to?

Anubhav Gupta:

So, see, such incidents or such situations are always short-term basis, right? Yes, there was a safeguard duty which came in and imports stopped in the country. Then the steel mills went for maintenance shutdowns, right? That is why in Quarter 1, the sales volume of the top 3 steel producers was down 11%. I am talking about Q1 versus Q4, right?

But the situation will not prolong, right? At some point, China prices came down so sharply that even imports became viable. And we saw that traders are booking imports in month of June and July, right?

And then from the third quarter, like I said, the Jindal Steel Power mill and Jindal Stainless mill, right, those blast furnaces will be operational. And we may see almost 10% increase in the flat steel supply, right? So, yes, I mean, whatever happens, it is always like short-term driven.

Long term, is India going to produce more steel? Answer is yes. Are Indian steel mills encouraged enough to put up more capacity? Answer is yes. Should India be having more steel supply? Answer is yes.

Rajeev Thakkar:

Sir, my last question is more about Jindal Steel themselves have kind of taken an end customer kind of app where they can go ahead and access and take the steel directly. So, is that kind of a direct competition for us? And since we are also kind of partner to JSW, is that something of conflict out there?

Anubhav Gupta:

No, we don't see any conflict there. Their business model is slightly different than what we do, right? I mean, India having produced 150 million tons of steel every year and which is going to go up by 7%, 8% year-on-year through FY '30, so, I mean, opportunity size is quite huge, right? So, each one of the players has his own segment to operate into, right? Their model is pretty different than what we do.

Moderator:

The next question is from the line of Akshit Gupta from Oaklane Capital. Please proceed.

Akshit Gupta:

Hello.

Anubhav Gupta:

Hi, Akshit. Go ahead, please.

Akshit Gupta:

My question was on logistics costs. So, earlier, you have guided that you will be setting up 101 service centers, but now you have revised down to 30. So, because of this higher concentration at one place, won't there be a risk of average transportation distance which would have increased to the customer? So, like the procurement discount that we get from steel suppliers, won't that be offset by transportation cost?

Anubhav Gupta: Akshit, when we said that we want to open 100 service centers in the country, okay, our assumption was that one service center will not give more than 5,000 tons of volume, okay, on monthly basis.

But having operated 4 service centers in India so far and having leased out 2 service centers, right, adding to those 4 operational, what we see is that one service center has a capability to do monthly volume of 10,000 to 15,000 tons, okay?

So, that is why the number of service centers came down by like two-third, okay? Because earlier resumption was that service centers will be doing business from 4,000 to 5,000 tons, but what we are seeing is that once service center can do actually 10,000 tons to 15,000 tons. So, you cannot build 100 service centers which are capable of doing 10,000 to 15,000 tons of monthly volume, right? This much of demand is not there.

Idea is that we open 20, 30 service centers which can do 10,000, 15,000 monthly volume, right? And then we see that if we have to go to smaller towns, and it should not cannibalize our service centers which are operational, right? So, that part will start in, like, after 2 years, I would say.

If one service center were doing 4,000 tons, 5,000 tons, then we would have been forced to open more service centers. But one service center is giving me more than what I expected, right? Then like going into Tier 2, Tier 3 towns, that will be Stage 2.

Akshit Gupta: But won't there be an impact of logistics cost?

Anubhav Gupta: It is there, but it is manageable. Customer is ready to pay that, right? So, just to conclude this, that we may have reduced the guidance to open a number of service centers, but the revenue, the volume from service centers will be similar, right? So, we have not cut the guidance on revenue or volume from the service center business.

Akshit Gupta: And you have now leased 2 new service centers. So, in Q4, you have guided that each service center does around of Rs. 20 crores of EBITDA. So, considering that the new 2 service center which we have leased will be functional from Q2, so will that also add extra of Rs. 30 crores of EBITDA for the year?

Anubhav Gupta: See, I mean, lease service centers, obviously, you need to pay a nominal rent, right, to the owner, okay? So, if on our own service center, we make 4% EBITDA margin, here the margin will be, say, 3%, right, because we are not investing anything.

And yes, so here, the simple math is that assuming one service center does 10,000 tons on a monthly basis, so full year is 120,000 tons. On that, you make Rs. 1,500 to Rs. 2,000 per ton EBITDA, right? So, which does give that number what you are talking about.

So, yes, I mean, idea to open more and more service centers, either through own model or lease model, the idea is to increase EBITDA, which could be like Rs. 15 crores to Rs. 20 crores addition per service center.

Akshit Gupta: And in Q4, we have paid advances to the suppliers for the procurement of steel. And at that time, steel prices were down. After that, safeguard duty got activated in the country. So, is there any reason that we have bought the, like we have paid advances to the steel at a cheaper price, that is why our EBITDA margin has improved in this quarter?

Anubhav Gupta: Not really, because in June month, steel prices also came down, right? So, there is no inventory loss or gain in this Rs. 35 crore of Q1 EBITDA.

Akshit Gupta: And also like now Shiv Bansal has resigned from his position, so any reason that he resigned? And also, he used to work in B2B trading segment. And this quarter, like B2B trading segment volumes degrow by 50%. So, is there any relation on or it is some other reasons?

Anubhav Gupta: No, it is not like that. Actually, the B2B business is being handled by Amit Thakur, who is Director onboard as well, right? So, B2B business has no relation to Mr. Shiv Bansal.

Shiv Bansal resigned because what we wanted was to have a head office of SG Mart in New Delhi, right? Shiv Bansalji was operating from Pune office. So, because of family reasons, he could not shift to or move to Delhi, right? And anyway, in 1 to 2 years, he was at his retirement age. So, he decided to kind of retire and move on.

And now like we have business verticals, all like 4, 5, right, who are sitting with me as we speak now. And yes, there is no disruption what we see from this management.

Moderator: The next question is from the line of Vikas Mistry from Moonshot Ventures. Please proceed.

Vikas Mistry: Hi, Anubhav. So, my question is on technology side. So, we are already seeing multiple start-ups doing B2B digitalization chain. So, in that context, do we see some bit of competition from that side? And what are our customer parameters like turnaround time and satisfaction on that part?

Anubhav Gupta: See, like I said, that, I mean, one has to compete specifically in steel trading, which is 150 million ton of annual market, Vikas. Every player, whether it is a startup or it is an established player, okay, like now SG Mart, we have been into operations for last 2 years, so everyone has created its own business model, right?

What verticals we have created, what I can tell you is that no one is emulating that. Okay? No one is investing resources in creating the service centers. No one has a relationship with the steel players what SG Mart has, okay, which is backed by the group sister company in terms of steel procurement, okay?

No one has ventured into renewable business like how we did, right? Very few of them have their own private labels in TMT or other downstream products, right? So, similarly, other players may have other strengths, right?

What SG Mart is doing, we are playing on our strengths, right? And based on that, we have created these 4 business verticals. But what I can tell you is that no one is comparable to SG Mart if you look at these 4 verticals.

Vikas Mistry:

Yes, that is pretty understandable, but my question is specifically to B2B trading because these people are trying to give bundling of other services like software for them, transparency in terms of pricing and some other parameters also.

So, is there any threat to this B2B trading, which we thought that, that will scale up to maybe Rs. 6,000 crores, Rs. 7,000 crores in couple of years? Can you be able to do that? Or is there any threat to that part of business?

Anubhav Gupta:

No, again, see, one has to compete in B2B metal space, right? One, that player must be carrying the relationship with steel mills similar to what SG Mart is having today, which we believe that none of the players has that capability as on date.

Vikas Mistry:

But one of the player is also doing \$1 billion of revenue from that, so.

Anubhav Gupta:

\$1 billion is what? Like when steel sector is like, what, \$50 billion on annualized basis, more. \$70 billion, \$80 billion.

Vikas Mistry:

It is more than that. Yes.

Anubhav Gupta:

Yes.

Vikas Mistry:

Extension of that question is that so in last quarter, we had some shortages. So, do we have to say no to some of our customers? And what are their reactions after that? And how we try to reduce that? Although it looks like that a lot of the supply of steel mills will be coming, but in that case, so in last quarter, if we have said no to some customers, so how they have procured their requirements?

Anubhav Gupta:

So, definitely, it is a situation where our sales team never wants to come. But yes. So, see, there are two parts, right? One is when you do the allocation customer-wise, right, it is not that you give 0 tons to any customer, right? You allocate whatever you have because we, like I said, 2,500 customers, right? So, you have demand aggregation from them. And whatever steel comes, say, in Q1, it was lower, so then you do allocation on pro rata basis.

Second is that customers also understand that it is not because of SG Mart, it is because of the steel industry where the production has been lower, right?

And thirdly, Vikas, we will be honest, Q1 in terms of business has also been slow, right, because of the pre-monsoon which came in like in June heavily, right? The construction activity is halted big time. Auto demand, quite good demand. Everything is like kind of a bit sluggish right now, right? So, it is not that our sales team had to face major flak because of steel shortage.

Vikas Mistry: Thanks, Anubhav. Continue to grow.

Anubhav Gupta: Thanks, Vikas.

Moderator: The next question is from the line of Dharmil Shah from Dalmus Capital Management. Please proceed.

Dharmil Shah: Just one question. I mean, for the B2B business, you mentioned that steel mills were able to supply 10% less than the previous quarter, but our volumes were down 55%. I just wanted to understand what is the missing part here? I mean, it should be some other reason apart from the lower supply. And it is a stark difference from 10% and 55% volume degrowth.

Anubhav Gupta: There are two parts to it. Number one is overall steel supply shortage. Like I said, Indian steel mills produced 11% lower steel what they produced in Q4 FY '25, right? So, this is the macro thing.

Second is when there is short supply, right, when there is limited steel, we want to use that steel to do value addition, do some processing and sell it with higher profits, right? So, we diverted all the steel to our service centers, and we generated more profits on that. That is why our Q1 EBITDA margin is 3%, right, which is highest so far.

Now once the steel availability is there, right, we will start diverting steel for B2B metal trading also. So, it is a situational thing, right, which we believe that will recover from Quarter 3 onwards with the commencement of 2 blast furnaces, one from JSPL, second from Jindal Stainless.

Moderator: The next question is from the line of Mehul Panjwani from 40 Cents. Please proceed.

Mehul Panjwani: Sir, I am new to this company. So, can you just throw some light on what do you mean by renewable business?

Anubhav Gupta: Sure. So, in renewable business, the first product what we are working on is solar structures, which are ground-mounted solar structures which are being used in the solar parks, right? So, there are like 3, 4 types of steel sections which are used to install the solar panels.

Mehul Panjwani: And sir, whom are you going to source it from?

- Anubhav Gupta:** So, here, the raw material is coated steel which we are buying from steel mills again. And there is a mild processing to that coated steel, which gets converted into an open section, which actually goes on-site for the installation.
- Mehul Panjwani:** And sir, how much, sorry?
- Anubhav Gupta:** So, there are two strengths which we played on. Number one is our steel buying, right? So, we are buying HR coil. We can also buy coated steel from the same steel mill, right? So, our sourcing power, procurement power at lower pricing. That is one.
- Second, that mild processing, what we are talking about, to make those open sections, we are installing those small machines at our service centers only, right? So, we already have a network of 4 service centers in the country, right? We are using those service centers to feed the demand, right?
- Normally, the solar parks are coming in Gujarat, Rajasthan, which we are feeding from our Ghaziabad service center. Then more mills will get installed in, say, our upcoming Hyderabad or Chennai service center or say, Bangalore, which can cater to South India demand because a lot of solar parks are coming in Andhra Pradesh and Tamil Nadu and Telangana, of course. And some machines we may install in our Raipur service center because some solar parks are also coming in Madhya Pradesh and Chhattisgarh belt as well, right?
- So, these were the two strengths on which we played, and we saw that there is a gap because this market is huge, right? And it was not being catered by pan-India national players. So, we jumped on to the opportunity and we opened the vertical.
- Mehul Panjwani:** Sir, how much are you expecting it will add roughly to the top line for FY '26?
- Anubhav Gupta:** We have Rs. 285 crores of order book, which shall be executed in the next 3 months, right, and similar Rs. 280 crores we shall be getting more. So, put together, it should be around Rs. 550 crores to Rs. 600 crores worth of revenue should come from this vertical.
- Mehul Panjwani:** And regarding your service center, since you mentioned about Gujarat, do we have any service centers in Gujarat?
- Anubhav Gupta:** Ahmedabad, we are scouting land. We have purchased land, right? The service center should be operational in 7, 8 months.
- Mehul Panjwani:** That is the only one we are planning.
- Anubhav Gupta:** Plus, we took, meanwhile we took one service center on lease already, right? And Ahmedabad market is so big. We believe that our service center, which will be owned by us plus the leased ones, we can operate both together to meet the demand.

- Moderator:** The next question is from the line of Sneha Talreja from Nuvama. Please proceed.
- Sneha Talreja:** Two questions from my end. One is related to seasonality. You, of course, mentioned that availability of steel will improve in H2, which is where those two plants come into play. But how can we see a quarter-on-quarter journey in terms of EBITDA movement? Of course, Rs. 35-odd crores clocked. You still have a target of Rs. 165-odd crores. Can we see H2 be like far more stronger and Q2 be gradually slower? So, some sense there would be helpful.
- Anubhav Gupta:** So, Sneha, this is always the case, right? Even if you look at FY '25, we did almost Rs. 70 crores of EBITDA, right, in second half versus Rs. 103 crores for the full year, okay. So, second half will always be skewed plus our service centers, the leased ones will be generating revenue. Plus our renewable business will be generating revenue. So, yes, you can say that the ramp up will be Q2, Q3, Q4. Every quarter, we would be outperforming versus the previous quarter.
- Sneha Talreja:** And the solar order, if I am not wrong, you said it has to be executed within the next 3 months. Is that understanding correct?
- Anubhav Gupta:** That is right.
- Moderator:** The next question is from the line of Chirag Shah from White Pine Investment Management. Please proceed.
- Chirag Shah:** So, I have a question on the scale of our operations. If you go back to the earlier interactions, given the market share where we are and given the lineage that we have, sequentially despite steel availability being an issue, our volume shouldn't have been down so much.
- Ideally, we are in a phase where we should be growing our volumes quarter-after-quarter unless there is extreme seasonality. And if I look at the presentation, our volume is down 50% sequentially.
- Anubhav Gupta:** So, this is only because of the B2B business, Chirag, right? Seasonality does come into play. But the bigger reason was a short supply of steel, okay, which is not in our control. As SG Mart grows, we will add more products which are non-steel, right? So, this impact will go down eventually.
- But see, I mean, we are a company, we are a group, which is always profit and ROCE focussed. Despite volume going down by 50%, as you mentioned, my EBITDA was almost flat, right? My ROCE improved over last quarter, right? So, I am not...
- Chirag Shah:** No, my point is a bit different. My point is a bit different. Even when you look at network service center, even over there, the volume is lower. I am trying to drive a point that this is based on our earlier interactions that you had on the call, that the scale of operations that we are the

unorganized nature of market and small players, there is an open field for us to grow, okay. So, I understand growth could be slower or smaller in that sense.

But this is a complete reversal of the thesis that you have been highlighting some time back, okay? So, either your learning or understanding has changed about the nature of business, the competitive intensity or ground level, how efficient is the unorganized market or regional players. And this disappointment is happening, this is not the first quarter of disappointment. We have been disappointing for some or other operational reasons.

And I appreciate it is a business, there are challenges. I am not even discounting it. But I am trying to understand, is your understanding of the opportunity in the near term that we have versus the longer-term opportunity, I am not even debating, but the scale versus the available opportunity for next 2, 3 years, there is a disconnect. So, is there a rethinking on that side or based on your experience now of last 12, 15 months?

Anubhav Gupta:

So, Chirag, let me be very, very clear. There is no reversal of thesis, okay? There is no change of the business model what we thought while starting SG Mart 2 years ago. The disappointment in volumes, right, and obviously, eventually it flows down to the profits as well, is only because of the short steel supply in Quarter 1, right?

Now the customers which we have, say, 2,500 onboard, it is a challenging business, but it is not that we are not able to sell to those 2,500 customers or we are not competent enough to sell to those 2,500 customers who are already onboard with us.

If there is no steel, which is there for trading, right, my trading volume will come down. It is as simple as that unless we start adding newer products. So, we are evaluating more product categories outside steel but not very aggressively.

Steel is something which we understand. Okay? So, we want to ensure that this Rs. 200 crore of EBITDA, Rs. 400 crore of EBITDA next year, we are able to generate this much of cash flow, this much of profits from the existing business. Then we invest into learning for other product categories, right? Because to understand one product segment is not easy, right?

These are cyclical. Trading of commodity is always cyclical, right? So, learnings are very, very costly. If we have Rs. 1,000 crores cash lying in the books, that doesn't mean we take unnecessary risks on non-steel products, right?

And like I mentioned, earlier also, we are a management which is highly focused on absolute profits and absolute return profile. Okay? We are doing our homework. We are establishing the customer base. We are opening new service centers. We are talking to more and more steel mills, not only in India but outside India also, to source steel, to ensure that the steel supply is smooth without any disruption, like what we saw in Q1.

It may take 1, 2 more quarters to see that steel itself will be so much available in India in the next 6 months that we may not have such quarters where we may come and tell you, hey, I mean, we didn't get enough steel to grow our business.

So I guess, you have been patient with us. We request you to just keep on monitoring us, keep on evaluating us. Our performance on quarter-on-quarter basis, this enigma of disappointment will go away. I can promise you that.

Chirag Shah:

No, I appreciate your honest answer. The only thing is my thought process was that once you scale up the business, cyclicity becomes the inherent part of the business. You know, you are limited to industry.

When you are in a form of scaling up given the opportunity, irrespective of the market conditions, there cannot be a decline in volumes, either be it service center or this. I understand growth could be lower. Fair point. Absolutely accept. Fair point. We will take it right now. We will wait for two more quarters,

Anubhav Gupta:

Chirag, see, now just to give you volume, right, I could have sold steel at expensive price. I could have sourced steel from imports even at much higher value. And then I would have sold in the market, done losses, right? And a lot of startups are doing that, right? Lot of companies in similar trade, you will see, okay, you can look at their EBITDA margins, which will be negative.

Like I said, we don't want to do any business at a loss, right? I mean, we just don't understand that how to sell a product at Rs. 99 when you buy that product at Rs. 100. We do not know that business, and we do not wish to know that business ever. Anything we buy at Rs. 100, it has to be sold above Rs. 100.

Chirag Shah:

So, you are, in a sense, saying that you need a normalized business condition to really take advantage of the arbitrage opportunities or inefficiencies which are there?

Anubhav Gupta:

We are not working on any arbitrage. We are working on a very solid business plan, Chirag, right? We are not working on arbitrage. We have created an ecosystem for the steel industry in India wherein we are sourcing steel from, we are sourcing products from more than 250 suppliers and selling to more than 2,500 customers. And this number will keep on increasing quarter-on-quarter.

Chirag Shah:

Can I just request one thing, if possible, if it is not competitive information, if you can put this number of customers in whichever form either business-wise or aggregate on quarterly.

Anubhav Gupta:

We do give it, Chirag.

Chirag Shah:

It is there in the presentation. Total number of customers.

- Anubhav Gupta:** Yes, I will tell you the slide number as well. Slide #10. Plus I also gave these numbers in our opening remarks.
- Chirag Shah:** I am on 10, Slide #10. Okay. We will take it offline. We can take it offline. No problem. It is fine. We will take it offline. It is a good data point for us to track on at least in terms of addition of active customers. That would be a good data point. Business will automatically flow over a period of time.
- Anubhav Gupta:** Yes. Sorry, Chirag, Slide #7. You can look at it.
- Anubhav Gupta:** Can we have last question, please?
- Moderator:** The next question is from the line of Rahul Kumar from Vaikarya. Please proceed.
- Rahul Kumar:** Hi. Just on this distribution business, other distribution business, how is the profitability and the share of non-steel products moved here from, let's say, last quarter to this quarter? And what are the targets here for FY '26?
- Anubhav Gupta:** So, see, I mean, here the number of SKUs must be like more than 500, okay? What we are trading, 90% is steel and 10% are some products in other construction materials, right? And we are slightly experimenting with other commodities, right? But we wish to keep it small.
- Like I said, our risk management is very, very strong where we do not want any sharp learning at a cost of our profits, right? So, 90% steel, 10% non-steel. And margins vary from 1% to 3% based on the product segment. And yes, I think for full year, this should be like Rs. 1,000 crore plus business.
- Rahul Kumar:** And second question on the inventory. How much mark-to-market hit on inventory we will have to take, let's say, versus the spot prices versus the valuation which we have done at as of June 30?
- Anubhav Gupta:** No, there is no gain or loss, Rahul.
- Rahul Kumar:** Basis the current spot prices?
- Anubhav Gupta:** That's right.
- Rahul Kumar:** And last question, there was another regulation related to the BIS norms for the import of steel related to the inputs. How is that? Is that impacting your business in any which way?
- Anubhav Gupta:** So, imports have reduced because of that, right? It did impact our volumes in last 2, 3 quarters, but we are super confident that internal steel supply in India itself will be so much that we need not rely on imports too much.

Rahul Kumar: So, let's say, for this quarter, how much of the steel which you had sold would have come from imports?

Anubhav Gupta: Zero.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day. And I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Anubhav Gupta: Thank you, everyone, for joining on to our 1QFY26 Earnings Call. We shall see you during the next earnings call. Thank you so much.

Moderator: On behalf of Ambit Capital Private Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.