SG Mart Ltd.

Margin Expansion Driven by Value-Added Growth

CMP: INR 635

Rating: Accumulate

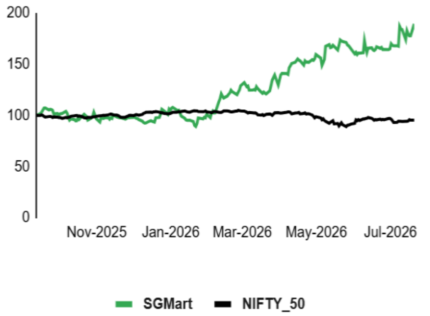
Target Price: INR 714

Stock Info	
BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	81.43
52w H/L (INR)	697/313
Avg yearly Vol (in 000')	392.18

Shareholding Pattern % *(As on Jun, 2026)*	
Promoters	57.9%
Public & Others	42.1%

Stock Performance (%)	1m	6m	12m
SG Mart	+12.1	+107	+85.4
Nifty 50	+0.5	-3.6	-3.4

SG MART Vs Nifty 50



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SG Mart Ltd reported revenue of INR 13,086 Mn (+14.41% YoY/-28.21% QoQ), below our estimates of INR 15,636 Mn. EBITDA stood at INR 588 Mn (+63.68% YoY/+4.83% QoQ), above our estimates of INR 546 Mn. EBITDA margin improved by 135 bps YoY (up by 142 bps QoQ) to 4.49% vs 3.14% in the year-ago quarter. PAT stood at INR 455.8 Mn vs INR 323.1 Mn, (+41.07% YoY/+9.91% QoQ), above our estimates of INR 390.9 Mn. Margin stood at 3.5% vs 2.82% in the year-ago quarter, showing a (+68 bps YoY/+120 bps QoQ).

Key Highlights:

Value-Added Verticals (Steel Profiles & Renewable Structures) Driving Structural, Not One-Off, Margin Expansion: Q1FY27 EBITDA margin expanded sharply to 4.49% (+135bps YoY/+142bps QoQ), aided by a combination of rising steel prices (up INR 2,500-3,000/ton between April and June 2026) and a richer revenue mix, as the steel profile and renewable/solar structures verticals, which command a net selling realization premium of INR 10,000-15,000/ton over standard HR-coil-based products scaled up. Steel profiles and renewable structures together delivered ~30,000 tons of volume in Q1FY27 (18,000 tons and 11,000 tons respectively) against a combined installed capacity of ~400k tons, generating EBITDA/ton of INR 3,000-4,000 and INR 3,000-3,500 respectively, well ahead of the INR 1,800-2,000/ton earned in the base service center business. Management guided that inventory gains were minimal despite the steel price uptick, as absolute inventory declined to INR 2,090 Mn in Q1FY27 from INR 2,836 Mn in FY26 on improving inventory churn, emphasizing that the margin expansion is structural and mix-led rather than a one-off gain, with capacity headroom supporting 3.5-4x volume growth in these two verticals over the next two-three years.

Backward Integration Line at Raipur to Unlock the Next Leg of Margin Expansion, Fully Funded Internally: SG Mart has commenced construction of a centralized backward-integration facility at Raipur (cold-rolling plus zinc/zinc-aluminium/zinc-aluminium-magnesium coating) to manufacture the specialty coated steel currently sourced from third parties; land has been acquired, construction has begun and machinery has been ordered, with the line expected to be operational within ~18 months. Management guided that backward integration should lift EBITDA/ton by INR 3,000-4,000 in the steel profile and renewable structures verticals taking margins beyond INR 5,000/ton, while also compressing net working capital days of 27 days in Q1FY27 vs 20 days in FY26, as in-house sourcing reduces the need for buffer inventory. Of the total capex requirement of over INR 15,000 Mn over the next two-three years, ~INR 8,000-9,000 Mn for 15-18 new service centers alone, plus the Raipur line; FY27 capex guided at INR 4,000-5,000 Mn vs ~INR 900 Mn spent in Q1FY27, management restated the entire program will be funded from existing net cash of INR 6,900 Mn plus internal accruals, with no equity dilution required.

Service Center Network Posting Healthy YoY Volume Growth Despite Seasonal QoQ Softness: The service center vertical processed 160,000 tons in Q1FY27, up sharply from ~120,000 tons in Q1FY26, even as volumes were sequentially softer on seasonality, with management guiding for a QoQ pick-up in Q2FY27. The company operates 7 fully-operational centers currently, with 5 more under active construction (taking the operational count to 12 within 6-12 months) en route to a target of 25 centers over three years, each requiring ~INR 500 Mn of upfront investment and generating ~INR 200 Mn of EBITDA on capital employed of INR 750-800 Mn at steady-state throughput of ~8,000 tons/month (~25% ROC currently, with potential to reach ~35% as B2B metal trading and coated steel sales are layered on at the center level). Management has revised its long-term center-count target from 30 to 25, noting the strategic goal is pan-India industrial-cluster coverage and an aggregate ~8k tons/month of throughput, which it believes is achievable from 25 centers.

FY27 EBITDA Guidance of ~INR 3,000 Mn Reiterated Despite Renewed Geopolitical Volatility; Vision 2030 Reaffirmed: Management expects its FY27 absolute EBITDA to reach ~INR 3,000 Mn given the strong Q1FY27 momentum, while remaining cautious on the renewed Iran-US conflict and the resultant crude oil price uptick as a key monitorable over the next few weeks, drawing a parallel to the fuel-shortage-led disruption seen in March 2026; excluding a sharp macro weakening, management expects the guidance to sustain. Looking further out, the company confirm its vision 2030 target of INR 250-350 bn in revenue and a minimum INR 10 bn of EBITDA on over 4 mn tons of steel volume (~3 mn tons from service centers, ~1 mn tons from steel profiles/renewable structures), with B2B metal trading positioned as a purely opportunistic, non-dilutive addition to this base. The future contract manufacturing or new revenue vertical will be pursued with a floor ROC of 20%, consistent with the group's stated return threshold.

Valuation & Outlook: SG Mart delivered a strong Q1FY27, with revenue up 14.41% YoY to INR 13,086 Mn and EBITDA up 63.68% YoY to INR 588 Mn, as EBITDA margin expanded sharply to 4.49% (+135 bps YoY/+142 bps QoQ). The margin gain was structural and mix-led and expected to be sustainable going forward, driven by the higher-margin steel profiles and renewable structures verticals, which together delivered ~30,000 tons at an EBITDA/ton of INR 3,000-4,000 vs INR 1,800-2,000/ton in the base service center business. The service center network processed 160,000 tons (up from ~120,000 tons YoY) with 7 centers operational and 5 more under construction, en route to a target of 25 centers over three years. The upcoming Raipur backward-integration line is expected to lift value-added margins beyond INR 5,000/ton by the end of FY28E, while the entire INR 15,000 Mn+ capex program is fully funded internally from net cash of INR 6,900 Mn with no equity dilution. Management maintained its FY27 EBITDA guidance of ~INR 3,000 Mn, cautioning on crude/geopolitical volatility as the key near-term monitorable. We recommend a "Accumulate" rating at a TP of INR 714 per share; valued at an EV/EBITDA multiple of 15.0x on FY29E EBITDA of INR 7,080 Mn; an upside of 12.5%.

SG Mart Ltd FY29E based implied valuation	Total
FY29E EBITDA (INR Mn)	7,080
EV/EBITDA (x)	15.0x
EV (INR Mn)	106,196
PV of FY29 EV	87,075.16
Net Debt/(cash) (INR mn) - FY29E end	(2,900)
Market Cap (INR mn)	89,975
Share outstanding (mn)	126
Value per share (INR) - FY29E	714.09
CMP (INR)	635
Upside/Downside (%)	**12.5%**
Rating	**Accumulate**

Source: Company reports, Arihant Capital Research

Exhibit: Valuation Summary

Valuation summary Y/E Mar, Rs mn	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	58,562	63,153	62,870	92,390	135,213
EBIDTA	1,031	1,367	2,611	4,196	7,080
Net Profit	1,034	1,111	1,724	2,525	4,419
PAT Adj	1,034	1,111	1,724	2,525	4,419
Diluted EPS	9.2	9.9	13.7	20.0	35.1
PER, x	68.9	64.1	46.5	31.7	18.1
EV/EBIDTA, x	73.4	53.2	28.6	18.4	10.8
P/BV, x	6.63	5.02	4.53	3.96	3.25
ROE, %	8.6%	7.0%	9.7%	12.5%	17.9%
Debt/Equity (x)	0.58	0.15	0.15	0.15	0.12

Exhibit: Quarterly Performance

SG Mart Ltd Q1FY27 Result	***Actuals***				
INR Mn (Consolidated)	**Q1FY27**	**Q4FY26**	**Q1FY26**	***Q-o-Q***	**Y-o-Y**
Net Revenue	**13,086**	**18,228**	**11,438**	***-28.21%***	***14.41%***
Raw Material Costs	12,204.8	17,379.0	10,887.2	*-29.77%*	*12.10%*
Gross Profit	881	849	551	*3.71%*	*60.02%*
Gross Margin	*6.73%*	*4.66%*	*4.81%*	*207bps*	*192bps*
Employee costs	83	80	67	*4.40%*	*23.70%*
Other Expenses	210	209	124	*0.43%*	*69.05%*
EBITDA	**588**	**561**	**359**	**-**	***63.68%***
EBITDA margin	*4.49%*	*3.07%*	*3.14%*	-	-
Adj EBITDA	**588**	**561**	**359**	***4.83%***	***63.68%***
Adj EBITDA margin	*4.49%*	*3.07%*	*3.14%*	*142bps*	*135bps*
Other Non Operating Income	98	117	204	*-16.52%*	*-52.30%*
Depreciation	41	37	17	*9.70%*	*135.26%*
EBIT	**644**	**640**	**546**	***0.66%***	***18.00%***
Finance costs	62	102	120	*-38.88%*	*-48.34%*
Exceptional Items	-	-	-	-	-
PBT	582	539	426	*8.11%*	*36.72%*
Tax Expense	*126.50*	*123.90*	*102.80*	*2.10%*	*23.05%*
Effective tax rate	**22%**	**23%**	**24%**		
PAT	*455.80*	*414.70*	*323.10*	*9.91%*	*41.07%*
PAT margin	**3.5%**	**2.3%**	**2.8%**	***120bps***	***68bps***
EPS	**3.62**	**3.70**	**2.56**	*-2.30%*	*41.07%*

SG Mart Q1FY27 Concall KTAs

Service Center Economics
A typical service center requires INR 400-500 Mn of fixed investment and INR 250-300 Mn of working capital, taking total capital employed to ~INR 750-800 Mn.
At a targeted throughput of ~8,000 tons/month, a center can generate ~INR 5,000 Mn of annual revenue and ~INR 200 Mn of EBITDA at INR 2,000/ton. Management expects ROCE from service centers can improve to ~35% over time, supported by higher B2B trading volumes and the addition of higher-margin coated steel products.

Steel Profiles and Solar Structures
Steel Profiles reported Q1FY27 volumes of ~18,000 tons, while Solar Structures recorded ~11,000 tons. The company has installed capacity of ~200,000 tons each in both segments, providing sufficient capacity for growth over the next few years. The combined current annualized volume of ~120,000 tons can potentially increase 3.5-4x over the next 2-3 years against the total installed capacity of ~400,000 tons.

Profitability and Margins
Service centers currently generate EBITDA of ~INR 1,800-2,000/ton, Steel Profiles ~INR 3,000-4,000/ton and Solar Structures ~INR 3,000-3,500/ton. Management expects margins in Steel Profiles and Solar Structures to increase beyond INR 5,000/ton after backward integration. While blended EBITDA margin may fluctuate depending on the business mix, management expects absolute EBITDA to improve as volumes in the higher-margin businesses scale up.

Backward Integration
The company is setting up a backward-integrated coated steel facility at Raipur to supply raw material for Steel Profiles, Solar Structures and eventually service centers. Land has been acquired, construction has started and some machinery has been ordered, with the facility expected to become operational over the next ~18 months. Management expects backward integration to improve margins meaningfully and reduce dependence on externally purchased coated steel.

Capex and Funding
SG Mart incurred ~INR 900 Mn of capex in Q1FY27 and expects FY27 capex of INR 4,000-5,000 Mn. Total capex requirement is estimated at over INR 15,000 Mn over the next 2-3 years, mainly towards new service centers and backward integration. With net cash of ~INR 6,900 Mn and expected operating cash generation, management does not expect any requirement for fresh equity raising or dilution to fund the expansion.

Working Capital
Net working capital stood at 27 days in Q1FY27 compared with 20 days in FY26. Inventory declined from INR 2,830 Mn at FY26-end to INR 2,090 Mn despite higher steel prices. The increase in other current assets was mainly due to advances paid to steel mills to ensure uninterrupted supply amid geopolitical volatility. Management expects working capital to improve as inventory turnover increases and supplier credit terms normalize.

ROCE
Annualized ROCE improved to ~23% in Q1FY27 from 15% in FY26. Management expects returns from service centers to improve further as throughput increases and higher-margin coated steel products are added to the existing product mix.

FY27 Outlook
Management maintained its FY27 EBITDA target of ~INR 3,000 Mn, supported by the Q1 performance and continued ramp-up of Steel Profiles and Solar Structures. However, the guidance remains subject to the macro environment, with geopolitical tensions and commodity price volatility highlighted as key near-term risks.

Product Expansion and Strategic Development
SG Mart is shifting from a largely trading-led model towards an integrated manufacturing and distribution platform built around manufacturing, branding, service centers, distribution and an online marketplace. The company has launched 10 new products and plans to introduce another seven over the next two quarters. It is also exploring contract manufacturing as an additional business vertical, with more details expected in subsequent quarters. Over time, management aims to build 7-8 revenue streams across multiple products and industries.

Customer Base and Order Visibility
The company has over 2,500 customers across SMEs, fabricators, EPC companies and industrial customers, limiting concentration risk across most businesses. Most products are sold on an off-the-shelf basis with a 24-48-hour turnaround, while the project-based Solar Structures business typically carries an order book of around 2-3 months.

Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	FY25	FY26	FY27E	FY28E	FY29E
Net sales	**58,562**	**63,153**	**62,870**	**92,390**	**135,213**
Growth, %	**118.3%**	**7.8%**	**-0.4%**	**47.0%**	**46.3%**
Other income					
Raw material expenses	56,835	60,861	59,177	86,950	126,702
Employee expenses	175	312	359	413	475
Other Operating expenses	520	612	723	831	956
EBITDA (Core)	**1,031**	**1,367**	**2,611**	**4,196**	**7,080**
Growth, %	66.76%	32.60%	91.00%	60.69%	68.74%
Margin, %	1.76%	2.16%	4.15%	4.54%	5.24%
Depreciation	21	115	410	675	865
Interest paid	439	512	474	633	667
Other Income	802	691	571	478	344
Non-recurring Items					
Pre-tax profit	**1,373**	**1,431**	**2,299**	**3,366**	**5,892**
Tax provided	339	321	575	842	1,473
Profit after tax	**1,034**	**1,111**	**1,724**	**2,525**	**4,419**
PAT Adj.	**1,034**	**1,111**	**1,724**	**2,525**	**4,419**
Growth, %	69.72%	7.38%	55.24%	46.44%	75.03%
Unadj. shares (m)					
Wtd avg shares (m)	112	112	126	126	126

Exhibit: Balance Sheet (Consol)

Balance Sheet					
As at 31st Mar, Rs mn	FY25	FY26	FY27E	FY28E	FY29E
PPE	1,643	3,199	7,681	12,307	15,242
CWIP	759	199	199	199	199
Rights Of Use Assets	513	649	649	649	649
Financial Assets	5.0	11.4	11.4	11.4	11.4
Other Non Current Assets	127	1,223	1,223	1,223	1,223
Total Non current Assets	**3,053**	**5,286**	**9,768**	**14,393**	**17,329**
Inventories	2,535	2,836	2,735	4,091	5,766
Receivables	3,167	2,646	2,756	4,050	5,557
Cash & CE	11,448	9,841	8,145	5,700	6,595
Other Current Assets	2,627	1,858	1,858	1,858	1,858
Other Financial Assets	155	30	30	30	30
Total Current Assets	**19,932**	**17,210**	**15,523**	**15,728**	**19,806**
Total assets	**22,985**	**22,496**	**25,290**	**30,121**	**37,134**
Total Equities	**12,082**	**15,965**	**17,689**	**20,214**	**24,633**
Non current borrowings	0	0	0	0	0
Other Non current liabilities	332.1	392.5	386.1	405.1	424.9
Total Non current liabilities	**332.1**	**392.5**	**386.1**	**405.1**	**424.9**
Current borrowings	7,034	2,391	2,688	2,942	2,942
Trade Payables	3,292	3,650	4,306	6,328	8,891
Other Current Liabilities	246	97	221	232	243
Total Current Liabilities	**10,571**	**6,138**	**7,215**	**9,502**	**12,076**
Total equity & liabilities	**22,985**	**22,496**	**25,290**	**30,121**	**37,134**

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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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