

**Transition to Renewable and Value-Added Structure for Margin Recovery.**

**CMP: INR 347**

**Rating: BUY**

**Target Price: INR 618**

**Stock Info**

BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	43.70
52w H/L (INR)	436/290
Avg yearly Vol (in 000')	2,067

**Shareholding Pattern %**

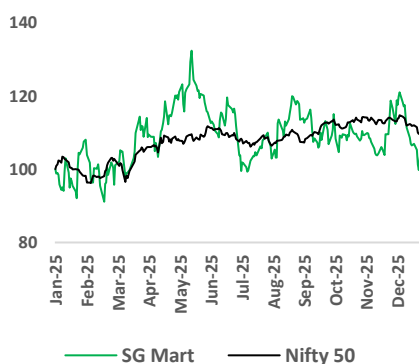
(As on Dec, 2025)

Promoters	36.27%
Public & Others	57.13%

**Stock Performance (%)**

	1m	6m	12m
SG Mart	-6.2	-2.2	-2.2
Nifty 50	-3.8	+1.4	+9.7

**SG MART Vs Nifty 50**



SG Mart Ltd reported revenue of INR 16,444 Mn in Q3FY26 (23.2% YoY/-3.51% QoQ), below our estimate of INR 17,450 Mn. EBITDA stood at INR 167 Mn (-22.9% YoY/-40.1% QoQ), below our estimates of INR 275 Mn. EBITDA margin reduced by 61 bps YoY (down by 62 bps QoQ) to 1.02% vs 1.64% in Q2FY26. PAT stood at INR 107.4 Mn vs INR 264.9 Mn, (-61.6% YoY/-59.4% QoQ), below our estimates of INR 225 Mn. Margin stood at 0.7% vs 1.6% in Q2FY26, showing a (-145 bps YoY/ -90 bps QoQ).

**Key Highlights:**

**Lower steel prices impacted the B2B metal trading and service center business:** The company's B2B metal trading and service center segment experienced pressure on profitability during Q3 FY26 due to a continued decline in domestic steel prices and weakening demand. The B2B metal trading segment recorded volumes of 125k tons, but EBITDA spreads contracted to the range of INR 500-600/ton, compared to a normalized potential of INR 900-1,000/ton. Similarly, the service center business delivered 163k tons, with a run rate of ~50k-55k tons/month. However, spreads fell to INR 1,500/ton, down from the typical INR 2,000/ton, largely due to discounting in a declining market. The steel prices are expected to improve from here with lower pressure on realization, which could lead to a recovery in EBITDA/ton.

**Expanding service centers reach and ramping up renewable structure capacity:** The company operates seven service center networks, contributing about 50% of Q3FY26 revenue. Management plans to open 10 new locations, aiming for a total of 20 service centers by FY28E. Indian centers are expected to generate an EBITDA/ton of INR 2,000, while the Dubai center is projected to achieve INR 5,000 to 7,000/ton. EBITDA is expected to rise from INR 1,400 Mn in FY26 to ~INR 3,500 Mn in FY27E, driven by higher contribution from renewable and value-added structure and reduced impact from steel prices. The renewable structures business is becoming a key margin driver, delivering 17k tons in Q3FY26 despite ramp-up costs. With an order book exceeding INR 3,000 Mn and a market share of 20-25% in the solar structure industry, the company projects volume to reach 25k tons in Q4FY26 and 70k-80k tons/month in 2-3 years, supported by new centers in Raipur and Pune.

**Strategic entry into value-added structures business:** The company is diversifying into high-margin open profile products for the trade segment, such as residential rooftop structures and cable trays, leveraging the APL Apollo distribution network. These value-added segments have superior EBITDA spreads of INR 4,000-5,000/ton and are expected to add 10,000 tons of volume in Q4FY26 alone. Management expects this to expand aggressively with FY27E volumes reaching 200k tons, sold under the APL Apollo brand name and reaching the retail segment, contributing a higher EBITDA margin of INR 6000-7000/ton.

**Valuation & Outlook:** The company reported sluggish growth in Q3FY26, with revenue increasing by ~23.2% YoY to INR 16,444 Mn. This growth resulted from continued lower steel prices impacting the B2B trading business, which is expected to improve from EBITDA/ton of INR 600 to INR 800-1,000 in FY27E. The service center business remained the main driver, contributing ~45% of total revenue. Currently, there are 7 operational centers, and this number is projected to expand to 20 centers by FY28E. In the renewable sector, the company is aggressively expanding, with a current order book valued at INR 3,000 Mn. The projected increase in output is expected to rise to 25k tons in Q4FY26, up from 17k tons in Q3. Overall margins were lower at ~1.02%, attributed to a decline in steel prices, which resulted in an inventory loss of INR 200 Mn. Management expects a recovery starting in Q4FY26 as steel prices stabilize and higher-margin businesses contribute more, projecting overall margins to rise to ~2.1% in H2FY26E. We maintain a "BUY" rating with a target price of INR 618 per share, based on a PE of 31x the estimated FY27 EPS of INR 19.7, representing an upside of 78%.

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**Exhibit: Valuation Summary**

Valuation summary					
Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	26,829	58,562	68,313	1,02,370	1,62,065
EBIDTA	618	1,031	1,140	2,577	4,564
Net Profit	609	1,027	1,142	2,208	3,522
PAT Adj	609	1,027	1,142	2,208	3,522
Diluted EPS	5.4	9.2	10.2	19.7	31.4
PER, x	63.8	37.8	34.0	17.6	11.0
EV/EBIDTA, x	47.9	33.5	32.3	14.8	8.7
P/BV, x	3.59	3.23	3.21	2.72	2.18
ROE, %	5.6%	8.5%	9.4%	15.4%	19.7%
Debt/Equity (x)	0.17	0.58	0.64	0.78	0.62

**Exhibit: Quarterly Performance**

INR Mn (Consolidated)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>16,444</b>	<b>17,042</b>	<b>13,347</b>	<b>-3.51%</b>	<b>23.21%</b>
Raw Material Costs	16,062.0	16,532.9	12,954.7	-2.85%	23.99%
Gross Profit	382	509	392	-24.91%	-2.57%
<i>Gross Margin</i>	<i>2.32%</i>	<i>2.99%</i>	<i>2.94%</i>	<i>-66bps</i>	<i>-62bps</i>
Employee costs	84	81	44	3.56%	92.03%
Other Expenses	131	148	131	-11.76%	-0.53%
<b>EBITDA</b>	<b>167</b>	<b>280</b>	<b>217</b>	<b>-40.15%</b>	<b>-22.93%</b>
<i>EBITDA margin</i>	<i>1.02%</i>	<i>1.64%</i>	<i>1.63%</i>	<i>-62bps</i>	<i>-61bps</i>
Other Non Operating Income	179	190	259	-5.63%	-30.68%
Depreciation	37	23	4	59.40%	856.41%
<b>EBIT</b>	<b>309</b>	<b>446</b>	<b>472</b>	<b>-30.67%</b>	<b>-34.44%</b>
Finance costs	174	115	98	51.04%	78.04%
Exceptional Items	-	-	-	<b>0.00%</b>	<b>0</b>
<b>PBT</b>	<b>135</b>	<b>331</b>	<b>374</b>	<b>-59.15%</b>	<b>-63.87%</b>
Tax Expense	27.80	66.10	94.10	-57.94%	-70.46%
<i>Effective tax rate</i>	<i>21%</i>	<i>20%</i>	<i>25%</i>		
<b>PAT</b>	<b>107.40</b>	<b>264.90</b>	<b>280.10</b>	<b>-59.46%</b>	<b>-61.66%</b>
PAT margin	0.7%	1.6%	2.1%	<b>-90bps</b>	<b>-145bps</b>
EPS	0.85	2.11	1.36	-59.60%	-37.32%

Source: Company Reports, Arihant Capital Research

## SG Mart Q3FY26 Concall KTAs

### Service Center Expansion

- The Q3FY26 monthly run rate reached 50-55k tons, with EBITDA/ton at INR 1200-1500, impacted by lower steel prices and discounts given due to lower demand.
- The company operates **4 centers in India and 1 in Dubai at 6000 ton/month capacity, achieving higher margins.**
- The company has planned 5 new centers operational in FY27E and expects to reach 20 centers by FY28E.
- For FY27E, the overall volume is expected to reach 750k tons and EBITDA of INR 1,500 Mn from India and INR 500 Mn from Dubai.
- Q4FY26E alone will achieve similar volumes but improved EBITDA spread to INR 2000/ton.

### B2B Metal Trading

- The **trading business had major impact from the continued lower steel prices, resulting in EBITDA/ton spreads suppressed at INR 500-600.** Q4 is expected to see an uptick in steel prices with EBITDA/ton improving to ~INR 900-1000.
- Volumes will remain similar; management has guided FY27E to reach ~125k tons per quarter, with blended spreads of INR 800-1000/ton contributing INR 500 Mn in EBITDA.

### Renewable Structures

- The renewable sector is rapidly expanding, with Q3 volumes reaching 17,000 tons and expected Q4 volumes of 25,000 tons. EBITDA/ton is higher compared to other B2B verticals, achieving INR 4,000/ton.
- The company has partnered with ~20-25 large OEMs and IPPs. The current order book stands at over INR 3,000 Mn, and management expects it to expand to more than INR 4,000 Mn with the existing pipeline.
- With multiple plants ramping up in the coming months and expects installed capacity to grow ~3x from the current single plant.
- For FY27E, the annual capacity will reach ~250k tons for solar structures and **achieve volumes of 180k tons with EBITDA/ton at INR 4.5-5k that is 6-8%** of realizations.

### Trade Led Profiles & Distribution Business

- The trade-led business is expanding with a diversified product mix, products include residential rooftop structures, cable trays, slotted angles, purlins, and racking systems.
- Q3 had no trade-channel volumes for these; Q4 expected to reach INR 6-7k/ton due to APL Apollo branding and channel reach. The group distribution provide an advantage to scale trade sales quickly with 800 dealers, 50k retail shops and 200+ fabricators.
- The **Distribution Products segment** contributed ~16-17% of revenue, driven by **new product additions and expansion of the distributor base.**
- The **TMT royalty-based structure**, contributing to **INR 7 Mn in Q3**, makes it an **asset-light model.**

### Profitability and Margins

- The decrease in steel prices negatively impacted inventory, leading to **lower profitability** in Q3.
- The Q3 EBITDA at INR 169 Mn was suppressed due to discounts given to customers amid lower demand. Business EBITDA was at INR 400 Mn after accounting for inventory losses of INR 200 Mn due to rapid steel price correction of INR 2000-3000/ton and INR 20-30 Mn of ramp-up expenses for the renewable business.
- Management guided that **Q4FY26 performance will see significant improvement from Q3**, as steel prices stabilize and one-off costs normalize.
- The FY26 EBITDA target is set at INR 1,400 Mn, and management remains optimistic about growth through transitioning to a higher margin value-added structure.
- For FY27E, the management expects significant improvement in EBITDA reaching ~INR 3,500 Mn, supported by service center expansion, renewable and trade products. Volumes expected to reach 750k tons at blended EBITDA/ton of ~INR 2000.

### Segmental EBITDA/ton

- The company reported **EBITDA/ton** in the range of **INR 500-650** for the **B2B Metal Trading** segment, **INR 1,200-1,500/ton** for the **service center** business, which was temporarily lower by about **INR 600-700/ton** due to discounts, **INR 4000** for the **renewable structures** division, and **INR 2000-2500/ton** for the **distribution products** segment.

### Working Capital

- The **working capital cycle** stood at **27 days**, slightly elevated due to advance purchases ahead of anti-dumping duty imposition, expected to remain in the **20-25 days** range.

**Exhibit: Income Statement (Consol)**

<b>Income Statement</b>					
<b>Y/E Mar, Rs mn</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
<b>Net sales</b>	<b>26,829</b>	<b>58,562</b>	<b>68,313</b>	<b>1,02,370</b>	<b>1,62,065</b>
Growth, %		<b>118.3%</b>	<b>16.7%</b>	<b>49.9%</b>	<b>58.3%</b>
Other income					
Raw material expenses	26,088	56,835	66,299	98,787	1,56,393
Employee expenses	50	175	327	421	482
Other Operating expenses	72	520	546	585	625
<b>EBITDA (Core)</b>	<b>618</b>	<b>1,031</b>	<b>1,140</b>	<b>2,577</b>	<b>4,564</b>
Growth, %		66.76%	10.63%	125.96%	77.13%
Margin, %		1.76%	1.67%	2.52%	2.82%
Depreciation	5	31	110	78	102
Interest paid	116	439	375	490	777
Other Income	316	802	866	935	1,010
Non-recurring Items					
<b>Pre-tax profit</b>	<b>813</b>	<b>1,363</b>	<b>1,522</b>	<b>2,944</b>	<b>4,696</b>
Tax provided	204	336	381	736	1,174
<b>Profit after tax</b>	<b>609</b>	<b>1,027</b>	<b>1,142</b>	<b>2,208</b>	<b>3,522</b>
<b>PAT Adj.</b>	<b>609</b>	<b>1,027</b>	<b>1,142</b>	<b>2,208</b>	<b>3,522</b>
Growth, %		68.54%	11.17%	93.39%	59.49%
Unadj. shares (m)					
Wtd avg shares (m)	112	112	112	112	112

**Exhibit: Balance Sheet (Consol)**

<b>Balance Sheet</b>					
<b>As at 31st Mar, Rs mn</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
PPE	387	1,643	5,391	7,791	10,191
CWIP	171	759	887	1,015	1,145
Rights Of Use Assets	4	513	511	511	511
Financial Assets	0.4	5.0	5.0	5.0	5.0
Other Non Current Assets	486	127	127	127	127
<b>Total Non current Assets</b>	<b>1,048</b>	<b>3,053</b>	<b>6,926</b>	<b>9,454</b>	<b>11,984</b>
Inventories	713	2,535	3,064	4,204	7,177
Receivables	863	3,167	4,305	6,451	10,212
Cash & CE	11,263	11,448	9,931	12,185	10,439
Other Current Assets	716	2,627	716	716	716
Other Financial Assets	268	155	155	155	155
<b>Total Current Assets</b>	<b>13,822</b>	<b>19,932</b>	<b>18,170</b>	<b>23,710</b>	<b>28,699</b>
<b>Total assets</b>	<b>14,870</b>	<b>22,985</b>	<b>25,096</b>	<b>33,165</b>	<b>40,683</b>
<b>Total Equities</b>	<b>10,870</b>	<b>12,082</b>	<b>12,136</b>	<b>14,344</b>	<b>17,866</b>
Non current borrowings	0	0	0	3,500	3,000
Other Non current liabilities	6.1	332.1	348.3	3,865.3	3,383.1
<b>Total Non current liabilities</b>	<b>6.1</b>	<b>332.1</b>	<b>348.3</b>	<b>3,865.3</b>	<b>3,383.1</b>
Current borrowings	1,843	7,034	7,723	7,723	8,102
Trade Payables	1,986	3,292	4,679	7,012	11,100
Other Current Liabilities	165	246	210	221	232
<b>Total Current Liabilities</b>	<b>3,993</b>	<b>10,571</b>	<b>12,612</b>	<b>14,955</b>	<b>19,434</b>
<b>Total equity &amp; liabilities</b>	<b>14,870</b>	<b>22,985</b>	<b>25,096</b>	<b>33,165</b>	<b>40,683</b>

**Cash Flow**

Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
<b>Net profit after tax</b>	<b>609</b>	<b>1,027</b>	<b>1,142</b>	<b>2,208</b>	<b>3,522</b>
Other Income	-316	-802	-866	-935	-1,010
Finance Costs	116	439	375	490	777
Depreciation And Amortisation Expenses	5	31	110	78	102
<b>Profit Before WCC</b>	<b>415</b>	<b>695</b>	<b>760</b>	<b>1,841</b>	<b>3,390</b>
Inventories	-713	-1,823	-529	-1,140	-2,973
Trade receivables	-863	-2,304	-1,137	-2,146	-3,762
Trade payables	1,986	1,306	1,387	2,333	4,089
Other financial assets	-263	108	0	0	0
Other current assets	-716	-1,911	1,911	0	0
<b>Short term Borrowings</b>	<b>1,819</b>	<b>5,072</b>	<b>689</b>	<b>0</b>	<b>379</b>
Other current liabilities	107	92	10	10	11
Other financial liabilities	23	115	0	0	0
<b>DTAs (net)</b>	<b>1</b>	<b>-2</b>	<b>1</b>	<b>0</b>	<b>0</b>
Income-tax-assets (net)	0	0	0	0	0
Loans	0	0	0	0	0
<b>CFO</b>	<b>1,795</b>	<b>1,348</b>	<b>3,091</b>	<b>898</b>	<b>1,135</b>
<b>CFI</b>					
Property, plant and equipment	-392	-1,287	-3,857	-2,478	-2,502
Capital work-in-progress	-171	-589	-128	-129	-130
Rights of Use Assets	-4	-509	2	0	0
Loans	-5	5	0	0	0
other intangible assets	0	-5	0	0	0
Other non-current assets	-486	359	0	0	0
Other Income	316	802	866	935	1,010
CFI	-741	-1,224	-3,117	-1,671	-1,622
<b>CFF</b>					
Equity share capital	112	1	0	0	0
Other equity	10,149	184	-1,087	0	0
Others financial assets	0	-5	0	0	0
Long term Borrowings	0	0	0	3,500	-500
Lease liabilities (Non-current)	2	321	16	17	18
Lease liabilities	2	4	0	0	0
Provisions (Non-Current)	2	6	0	0	0
Provisions	0	2	0	0	0
Dividend	0	0	0	0	0
Current Tax Liabilities(net)	58	-12	-45	0	0
Finance Costs	-116	-439	-375	-490	-777
<b>CFF</b>	<b>10,208</b>	<b>61</b>	<b>-1,491</b>	<b>3,027</b>	<b>-1,259</b>
<b>NET</b>	<b>11,263</b>	<b>186</b>	<b>-1,517</b>	<b>2,254</b>	<b>-1,746</b>
<b>Opening Cash</b>	<b>0</b>	<b>11,263</b>	<b>11,448</b>	<b>9,931</b>	<b>12,185</b>
<b>Closing Cash</b>	<b>11,263</b>	<b>11,448</b>	<b>9,931</b>	<b>12,185</b>	<b>10,439</b>

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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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