Q2FY26 - Result Update
03rd Nov 2025

SG Mart Ltd.

Steel Price Drop Hits Margins, Value-Added Segments Drive Steady Recovery

CMP: INR 347

Rating: BUY

Target Price: INR 613

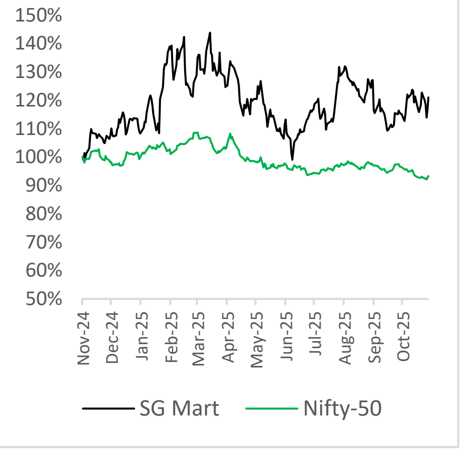
Stock Info	
BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	43.70
52w H/L (INR)	438/290
Avg yearly Vol (in 000')	264.1

Shareholding Pattern %
(As on Jun, 2025)

Promoters	36.27%
Public & Others	57.13%

Stock Performance (%)	1m	6m	12m
SG Mart	-4.66	-2.82	-2.82
Nifty 50	+3.33	+5.8	+7.2

SG MART Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022-42254872

Rohan Baranwal
rohan.baranwal@arihantcapital.com

SG Mart Ltd reported revenue of INR 17,042 Mn in Q2FY25 (-4.94% YoY/+48.9% QoQ), above our estimates of INR 16,509 Mn. EBITDA stood at INR 280 Mn (+87.92% YoY/-22.2% QoQ), below our estimates of INR 434 Mn. EBITDA margin improved by 81 bps YoY (down by 150 bps QoQ) to 1.64% vs 0.83% in Q2FY25. PAT stood at INR 266 Mn vs INR 158.9 Mn, (+67.4% YoY/-17.9% QoQ), below our estimates of INR 396 Mn. Margin stood at 1.6% vs 0.9% in Q2FY25, showing a (+67 bps YoY/ -127 bps QoQ).

Key Highlights:

Core B2B Metal Trading Business Impacted by Steel Price Volatility: The company's B2B metal trading segment faced pressure during Q2FY26 due to sharp correction in domestic steel prices, which decreased by INR 3,000/ton between April and October, and are expected to plateau by November, aiding improvement in realizations. This lowering of prices had led to minor inventory losses and lower spreads. Although revenue in this segment grew by 50% QoQ vs weak Q1, margins remained compressed with EBITDA/ton in the range of INR 500-1,000. The steel availability is expected to increase ~10% YoY, supporting higher throughput. Management expects that the trading business remains critical for scale and liquidity, its contribution to overall margins will gradually decline as higher value-added verticals expand.

Rising Contribution from Service Center and Renewable Structure Businesses: The service center network has scaled up, contributing ~50% of Q2FY26 revenue. The company now operates 7 centers, including 5 owned and 2 leased units, with another 1 in Jaipur expected to start by Q4FY26. Each center is performing in line with targets, and the company plans to add 4-5 new centers every year to build a pan-India network. The newly launched renewable structure business also gained traction, contributing 4% of revenue with an order book of INR 2,600 Mn, providing visibility for the next few quarters. The company has started producing open-profile products like solar mounting structures, without any green capex, and is achieving better asset utilization. Both these verticals generate higher and more stable spreads of INR 1,500-3,000/ton. SG Mart is gradually reducing dependence on the volatile trading business.

Missed EBITDA guidance and margin remains pressurized; Recovery expected in Q4: The company reported muted profitability in Q2FY26 as margins were hit by lower steel prices, with huge branding costs, and upfront expenses for its renewable and profiling businesses. Management noted that all branding and advertisement expenses, which were previously planned to be distributed over two years, were recorded in Q2. These expenses will continue into Q3 to clear the backlog ahead of Q4. Given these one-offs, the company admitted that achieving its earlier EBITDA guidance of INR 2,000 Mn for FY26E will be difficult. However, it remains cautiously optimistic of a rebound from Q4FY26 as steel prices stabilize and higher-margin segments such as service centers, renewables structures, and downstream businesses will scale up, supporting better profitability and stronger growth in the H2FY26.

Valuation & Outlook: **The company reported healthy recovery in Q2FY26, with revenue up ~50% QoQ to INR 17,042 Mn, helped by better steel availability and strong growth in VAP businesses. The service center business stayed the main driver, contributing ~50% of revenue with 7 centers now operational, while the renewable structure is doing great, expected to 2x its order book of INR 2,600 Mn in Q3. Margins overall were lower at ~1.6% because of the fall in steel prices and upfront booking of branding costs. Management expects a recovery from Q4FY26 as steel prices become stable and higher-margin businesses contribute higher, lifting overall margins to around 2.5-3% in H2FY26E. We maintain a "BUY rating at a TP of INR 613 per share; valued at a PE multiple of 34x and its FY27E EPS of INR 17.6; an upside of 76%.**

Exhibit: Valuation Summary

Valuation summary Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	26,829	58,562	76,944	1,15,837	1,58,539
EBIDTA	618	1,031	1,343	2,323	3,421
Net Profit	609	1,027	1,289	1,966	2,830
PAT Adj	609	1,027	1,289	1,966	2,830
Diluted EPS	5.4	9.2	11.5	17.6	25.3
PER, x	63.8	37.8	30.2	19.8	13.7
EV/EBIDTA, x	47.9	33.5	27.0	16.4	11.5
P/BV, x	3.59	3.23	3.18	2.74	2.28
ROE, %	5.6%	8.5%	10.5%	13.8%	16.6%
Debt/Equity (x)	0.17	0.58	0.63	0.79	0.65

Exhibit: Quarterly Performance

INR Mn (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	*Y-o-Y*
Net Revenue	**17,042**	**11,438**	**17,928**	***48.99%***	***-4.94%***
Raw Material Costs	16,533	10,887	17,621	*51.86%*	*-6.17%*
Gross Profit	509	551	307	*-7.62%*	*65.80%*
Gross Margin	*2.99%*	*4.82%*	*1.71%*	-183bps	*127bps*
Employee costs	81	67	42	*20.90%*	*92.86%*
Other Expenses	148	124	116	*19.35%*	*27.59%*
EBITDA	**280**	**360**	**149**	***-22.22%***	***87.92%***
EBITDA margin	*1.64%*	*3.15%*	*0.83%*	-150bps	*81bps*
Other Non Operating Income	190	204	197	*-6.86%*	*-3.55%*
Depreciation	23	17	3	*35.29%*	*641.94%*
EBIT	**447**	**547**	**343**	***-18.28%***	***30.36%***
Finance costs	115	120	128	*-4.17%*	*-10.16%*
Exceptional Items	-	-	-	***0.00%***	***0***
PBT	332	427	215	*-22.25%*	*54.49%*
Tax Expense	*66.00*	*103.00*	*56.00*	*-35.92%*	*17.86%*
Effective tax rate	**20%**	**24%**	**26%**		
PAT	*266.00*	*324.00*	*158.90*	*-17.90%*	*67.40%*
PAT margin	**1.6%**	**2.8%**	**0.9%**	***-127bps***	***67bps***
EPS	**2.11**	**2.69**	**1.36**	*-21.56%*	*55.15%*

Source: Company Reports, Arihant Capital Research

SG Mart Q2FY26 Concall KTAs

Service Center Expansion
- The company now operates **seven service centers**, of which **five are owned and two are on lease**, contributing **~50% of total revenue in H1FY26**.
- A new **Jaipur service center** is expected to start operations in **Q4FY26**, with plans to **add 4-6 centers annually**.
- The **throughput per service center** is trending above expectations, with some centers achieving **12,000 tons/month** vs the earlier **5,000-ton target**.

Renewable Structures
- The **Renewable Structures segment** contributed **~4% of revenue in Q2**, supported by an **order book of INR 2,600 Mn**, providing visibility for the coming quarters.
- Management expects this contribution to **double in Q3** as execution ramps up.
- The company is adding **10-15 new products under open profiling**, with **profiling machines installed at existing service centers**, enabling **capacity addition without any incremental capex**.

Distribution Business
- The **Distribution Products segment** contributed **~16-17% of revenue**, driven by **new product additions** and **expansion of the distributor base**.
- The **TMT franchisee model** has been **transitioned to a royalty-based structure**, contributing to **INR 15 Mn in Q2**, making it an **asset-light model**.

Industry and Demand Outlook
- **Domestic steel prices**, which decreased by **INR 3,000/ton** between **April and October**, are expected to **plateau by November**, aiding improvement in realizations.
- **Steel availability** is expected to **rise ~10% YoY**, supporting higher throughput in **trading and service operations**.
- Management expects **volumes to grow 15-20% YoY**, led by **steady service center throughput** and **scaling up of renewable structures**.

Profitability and Margins
- The decrease in steel prices negatively impacted on inventory, leading to **lower profitability** in Q2.
- The company is doing **upfront booking of branding and advertisement expenses**, which were earlier planned to be amortized over 24 months. This will continue partially in **Q3** as well.
- Management guided that **Q3FY26 performance will mirror Q2**, owing to soft steel prices, while **Q4FY26 is expected to be stronger** as steel prices stabilize and one-off costs normalize.
- The **FY26 EBITDA target of INR 2,000 Mn** is **unlikely to be achieved**, though management remains **positive on long-term profitability guidance**.

Segmental EBITDA/ton
- The company reported **EBITDA/ton** in the range of **INR 500-1,000** for the **B2B Metal Trading** segment, **INR 1,500-2,000/ton** for the **service center** business which temporarily lower by about **INR 600-700/ton** due to inventory losses, **INR 2,000-3,000** for the **renewable structures** division, and **INR 1,000-1,500/ton** for the **distribution products** segment.

Working Capital
- The **working capital cycle** stood at **22 days**, slightly higher due to the addition of new profiling machines and steel price volatility and is expected to remain in the **15-25 days** range.
- **Service center debtor days:** 20-25 days; **Renewable:** 30-40 days.

ROCE
- Management **maintains ROCE guidance of 20-25%**, expecting it to normalize as high-margin businesses scale up.
- **Capex** is guided at **INR 2,000 Mn annually**, funded largely through **internal accruals**. Over **FY26-FY28**, the blended **EBITDA is expected to match overall capex spend**.

Strategic development
- The **service centers** and **renewable structures** businesses are expected to **reduce volatility from steel price movements** due to their **value-added nature**.
- The company continues to **gain market share from unorganized players**, strengthening its **pan-India service network** and positioning itself as an integrated player in downstream steel solutions.

Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**26,829**	**58,562**	**76,944**	**1,15,837**	**1,58,539**
Growth, %		**118.3%**	**31.4%**	**50.5%**	**36.9%**
Other income					
Raw material expenses	26,088	56,835	74,675	1,12,422	1,53,865
Employee expenses	50	175	327	421	482
Other Operating expenses	72	520	598	670	771
EBITDA (Core)	**618**	**1,031**	**1,343**	**2,323**	**3,421**
Growth, %		66.76%	30.26%	73.02%	47.24%
Margin, %		1.76%	1.75%	2.01%	2.16%
Depreciation	5	31	56	78	102
Interest paid	116	439	435	559	556
Other Income	316	802	866	935	1,010
Non-recurring Items					
Pre-tax profit	**813**	**1,363**	**1,718**	**2,621**	**3,774**
Tax provided	204	336	430	655	943
Profit after tax	**609**	**1,027**	**1,289**	**1,966**	**2,830**
PAT Adj.	**609**	**1,027**	**1,289**	**1,966**	**2,830**
Growth, %		68.54%	25.46%	52.57%	43.96%
Unadj. shares (m)					
Wtd avg shares (m)	112	112	112	112	112

Exhibit: Balance Sheet (Consol)

Balance Sheet					
As at 31st Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
PPE	387	1,643	5,391	7,791	10,191
CWIP	171	759	885	1,013	1,142
Rights Of Use Assets	4	513	511	511	511
Financial Assets	0.4	5.0	5.0	5.0	5.0
Other Non Current Assets	486	127	127	127	127
Total Non current Assets	**1,048**	**3,053**	**6,925**	**9,452**	**11,981**
Inventories	713	2,535	2,791	4,306	6,130
Receivables	863	3,167	4,849	7,299	9,990
Cash & CE	11,263	11,448	10,399	12,064	10,683
Other Current Assets	716	2,627	716	716	716
Other Financial Assets	268	155	155	155	155
Total Current Assets	**13,822**	**19,932**	**18,909**	**24,540**	**27,674**
Total assets	**14,870**	**22,985**	**25,834**	**33,991**	**39,654**
Total Equities	**10,870**	**12,082**	**12,283**	**14,249**	**17,079**
Non current borrowings	0	0	0	3,500	3,000
Other Non current liabilities	6.1	332.1	348.3	3,865.3	3,383.1
Total Non current liabilities	**6.1**	**332.1**	**348.3**	**3,865.3**	**3,383.1**
Current borrowings	1,843	7,034	7,723	7,723	8,102
Trade Payables	1,986	3,292	5,270	7,934	10,859
Other Current Liabilities	165	246	210	221	232
Total Current Liabilities	**3,993**	**10,571**	**13,203**	**15,878**	**19,192**
Total equity & liabilities	**14,870**	**22,985**	**25,834**	**33,991**	**39,654**

Cash Flow					
Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net profit after tax	609	1,027	1,289	1,966	2,830
Other Income	-316	-802	-866	-935	-1,010
Finance Costs	116	439	435	559	556
Depreciation And Amortisation Expenses	5	31	56	78	102
Profit Before WCC	415	695	913	1,668	2,478
Inventories	-713	-1,823	-256	-1,515	-1,824
Trade receivables	-863	-2,304	-1,681	-2,451	-2,691
Trade payables	1,986	1,306	1,978	2,664	2,925
Other financial assets	-263	108	0	0	0
Other current assets	-716	-1,911	1,911	0	0
Short term Borrowings	1,819	5,072	689	0	379
Other current liabilities	107	92	10	10	11
Other financial liabilities	23	115	0	0	0
DTAs (net)	1	-2	1	0	0
Income-tax-assets (net)	0	0	0	0	0
Loans	0	0	0	0	0
CFO	1,795	1,348	3,565	377	1,277
CFI					
Property, plant and equipment	-392	-1,287	-3,804	-2,478	-2,502
Capital work-in-progress	-171	-589	-126	-128	-129
Rights of Use Assets	-4	-509	2	0	0
Loans	-5	5	0	0	0
other intangible assetss	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	-3,062	-1,670	-1,620
CFF					
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 liabilties	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	-435	-559	-556
CFF	10,208	61	-1,552	2,958	-1,038
NET	11,263	186	-1,049	1,665	-1,381
Opening Cash	0	11,263	11,448	10,399	12,064
Closing Cash	11,263	11,448	10,399	12,064	10,683

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Fax: (91-731) 4217101

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880