# "SG Mart Limited

# Q2 FY27 Earnings Conference Call"

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**MODERATOR:** **MS. SNEHA TALREJA – NUVAMA WEALTH MANAGEMENT LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to SG Mart Q2 FY27 Conference Call hosted by Nuvama Wealth Management Limited. As a reminder, all participant 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sneha Talreja. Thank you and over to you, ma'am.

**Sneha Talreja:** Hi, good evening everyone and welcome to SG Mart Q2 FY27 Earnings Conference Call. We have with us today the senior management team of SG Mart represented by Mr. Rohan Gupta, Executive Director, Mr. Amit Thakur, Executive Director, Mr. Suraj Kumar, CFO, Mr. Archit Arora, VP, Service Centre and Distribution Business, Ms. Anamika Gulati, Senior General Manager, Renewable Business and Mr. Anubhav Gupta, Group Chief Strategy Officer. I would now like to hand over the call to Mr. Anubhav for his opening remarks. Over to you, Anubhav.

**Anubhav Gupta:** Thanks Sneha and thanks to Nuvama for hosting SG Mart for its Q2 FY27 Earnings Call. Good evening everyone. I welcome each one of you to this earnings call from SG Mart Limited. It gives me immense pleasure to announce that Q2 FY27 has delivered the performance on a sustainable manner for the last consecutive three quarters wherein we achieved EBITDA of INR72 crores.

So if you see our earnings trajectory from quarter Q4 FY26 to quarter 1 and now into quarter 2, we are finally on track to deliver the performance where we have changed our business model to trading plus manufacturing, which was earlier only trading when we had started the company. And the business model which are which is being evolved and now has started giving performance, it consists of two main pillars which are trading plus manufacturing club.

By trading what we mean is that we have a very vast group distribution network. Then we are building our own network of service centers. We have our own brand, APL Apollo and SG Mart, plus we also have an online business sales channel. So this is what consists of the trading platform and in manufacturing we have three products, three verticals, I would say.

One is the processing which is processing of HR coil and coated products. Then second is manufacturing of profiles which are into construction, renewable and industrial sectors and number three is manufacturing of accessories. So all these three product lines have started contributing to our revenue and the platform what we are building in terms of the distribution, in terms of the network of service centers.

And in terms of online sales, backed by our strong group brand pedigree, we believe that this performance will continue in the coming quarters because for each of the product line we have made a business plan for the next 5 years wherein we wish to increase these capacities by 3x to 4x in the coming years. So I'll explain the each business vertical one by one.

Starting, of course, we start with the trading where which gives the strength to sell our products. So one is the service center which almost eight are operational today and every year we wish to

add five to six service centers. We have become more aggressive in acquiring new land parcels and our target is to have 25 plus service centers by 2030.

But as the ramp up is better than expected, we believe that we may achieve this number slightly early and we may increase the number of service centers to 30, 35 by 2030. Idea is to have each service center in the country within vicinity of 200 kilometers. We have given we have represented this in our investor presentation also, wherein we have identified the locations where we wish to open service centers.

Then second is the distribution network. So we already had a kickstart from the group distributors who have been present into multiple steel downstream products. We have expanded that base from tubes to rebars to other downstream products. So we have almost 1,200 dealers and distributors to whom we have started servicing.

Online sales channel we are building, so we will be ready with this platform in next 6 months. We have already started investing in the team building and tech stack. We believe that in 6 months we should be ready with this. Now coming to the manufacturing, so first vertical is the processing of HR coil.

So if you see in the second quarter, we have done a volume of 206,000 tons, which is up 16% on Q-o-Q basis. This volume momentum should continue as we open more and more service centers in every quarter and what we have seen is that it takes 6 to 9 months for a service center to fully ramp up.

So we have good runway wherein you will keep on seeing the volume momentum in the coming quarters. Now the second manufacturing vertical is profiles. So we have two types of profile, one is solar which goes into OEM market for the ground mounted solar structures and second is the multiple profiles for construction sector which is sold through our distribution network.

So all in all if you see, we did volume of around 40,000 tons in the quarter 2, which is up 20% versus quarter 1 FY27. So again, we have capacity like 40,000 ton per quarter mean 160,000 ton of annual run rate and we already have a capacity of half a million ton. So this ramp up also we will see pretty strongly as we keep on adding more products and as our distribution network keeps on expanding. And third segment is accessories.

So this also we have launched five products already and we are in process of launching two, three more products. So what we have seen is that accessories also complement the sale of profiles or the solar structures or the processed metal and it is sold through the same distribution channel.

So it's a very stable and profitable revenue line which will keep on adding to the profitability. So the EBITDA margins are also pretty solid and they should remain strong. In fact, they should improve further as we go backward integration for the coated steel which is being used currently for our profile business.

So right now we are buying coated steel from the market, but as our first backward integration plant will start in next 9 months to 12 months in Raipur, it will inch up our EBITDA margin by

2% to 3%. So we expect that our business should be generating sustainable EBITDA of 6% to 7% going forward, which right now is 4% to 5%.

In terms of cash flows, you can see that we have done capex of INR250 crores in the first half. So this is on the back of acquiring land for the new service centers plus investment into purchase of plant and equipment for service centers plus the plant in Raipur. We have had a very strong cash flow generation, operating cash flow generation in the first half with working capital days stable at 18, which helped us generate operating cash flow above our EBITDA and we could fund all this from the cash flows, internal cash flows.

And the cash on books right now is around INR700 crores, which is slightly lower than what it was in June quarter. For the rest of the year, we believe that we may spend another INR250 crores to INR300 crores plus the residual capex for the next 2 years, 3 years to finish all the working -- to finish all the service centers plus the Raipur manufacturing plant.

We may need another INR1,500 crores for the capex. So that should be funded from internal cash flows and the cash on books. We are pretty confident that the ROC profile we should be able to maintain around 25% which is our target in the coming years. And once these capacities are fully utilized, we may have superior ROC also beyond 30%.

All in all, we are fairly confident that this business model of combining the distribution the trading with manufacturing and manufacturing with backward integration, it's a very unique positioning what we are building in the country and from the raw material to the finished product being sold through our own service center.

It gives a very unique and strong edge for SG Mart to build its business model which should remain uncompetitive for the years to come and it will help us maintain or protect our return profile with superior ROC of 25% to 30% and give a lot of sprint to the overall group in terms of the downstream steel sector.

As far as the guidance is concerned, I mean we maintain that I mean first half earnings are up 100% Y-o-Y. Although we have maintained that the business model is capable of generating 50% plus earnings CAGR for the next three, four years. So as our manufacturing and trading platforms get ramped up, these guidance should be achieved by us. That's all from our side. We are ready to take questions.

**Moderator:** Thank you very much. The first question is from the line of Vikas Mistri from Moonshot Ventures. Please go ahead.

**Vikas Mistri:** Yes, thanks Anubhav and thanks for the great presentation. So what we are trying to ask is that now we are just completely focusing on service center business, but however our presentation shows slightly lower state of ramp up in service center business. Otherwise, we are guiding for slightly bit of higher growth. So what is the bottleneck you are finding? Either it is a land acquisition bottleneck or other areas where we can't ramp up it much faster?

**Anubhav Gupta:** So in our slide like what we have said is that 25 plus service centers by 2030, right? Like I said, I mean the ramp up what we are seeing in the existing service centers, it gives a lot of confidence

to us, lot of conviction to us that we should be opening service centers much faster than what we have guided for. So I mean let us surprise you in the coming quarters, I would say.

**Vikas Mistri:** Okay, that's great to hear. So one more thing in last con call we discussed that you will be trying to venture into some contract manufacturing. So have we discussed those plans and what are our plans in terms of doing any contract manufacturing either in this product profile or any other product profile?

**Anubhav Gupta:** Yes. So that we are evaluating, okay? I mean nothing has come on table as yet which is like we can just say, okay, let's start that. So our team is constantly evaluating. I am sure we should be able to have something concrete in the next earnings call.

**Vikas Mistri:** Okay, last question from my side. So you have said that we will have 7% EBITDA margin. That is only for the profiles business, if I have heard it correct.

**Anubhav Gupta:** Yes, that's right because the processing of HR coil to service centers, that's like 3% to 4% EBITDA margin. So on blended basis, right now what we are making is 4% to 5%. On blended basis, you can inch these margins by 200 bps.

**Vikas Mistri:** Okay. Blended basis for the complete company or just only for profile section?

**Anubhav Gupta:** No, for the whole company because see if you look at the first half, our margin is 4.5%. Right at EBITDA level, so I am saying this can be 6% to 7%.

**Vikas Mistri:** Okay. For complete company, so it's really positive surprise on that front.

**Anubhav Gupta:** Yes.

**Vikas Mistri:** So okay, so that's all from my side. So I will come back in a queue if I have couple more questions more.

**Anubhav Gupta:** Yes.

**Moderator:** Thank you. The next question is from the line of Akhilesh Kumar from Astro Technologies. Please go ahead.

**Akhilesh Kumar:** Yes, hi Anubhav. I wanted to know about the one product you launched on the welding rod side. Have we done any tie-up with someone or we have our own technology and whether we are competing with established player there?

**Anubhav Gupta:** So right now we are not manufacturing it. We shall set up the manufacturing line once we scale up the business. As of now, we are buying it from the third party factories. Once we scale this business up, we shall be putting our own manufacturing line.

**Akhilesh Kumar:** Okay. So do you see any like ramp up here? Particularly?

**Anubhav Gupta:** Yes, so initial response is pretty encouraging. Okay, I mean in next six months we will take a call that how we can put up our own manufacturing line for this.

**Akhilesh Kumar:** Okay. And since we have many businesses related to building construction, are we contemplating anything related to pre-engineered buildings, anything where we can have our service centers doing those kind of work?

**Anubhav Gupta:** Of course, so there are two products within our portfolio which are supplied in the PEB industry. One is the steel plates, okay, which we process in our service center. So they are sold directly to the PEB vendors. We have India's top 100 PEB companies which are buying from our service centers. And second is the purlins which are used as the roofing structures in the industrial sheds and warehouses. So that also we are manufacturing and supplying.

**Akhilesh Kumar:** Okay, that sounds great. Thanks a lot. I will come back in the queue for further questions. Thanks.

**Moderator:** Thank you. The next question is from the line of CA Garvit Goyal from Serene Alpha Analytics LLP. Please go ahead.

**Garvit Goyal:** Hi, am I audible?

**Sneha Talreja:** Yes, sir. Audible.

**Garvit Goyal:** Thanks for the opportunity and congrats for a very good set of numbers. Finally, we are in the directions that we used to speak about over the last one to two years, right? Just wanted to understand on the margins front, does this quarter include any kind of inventory gain arising maybe because of higher steel realizations or anything like that?

**Anubhav Gupta:** Not really. If you see our inventory is 15 days, okay? In fact 14 days, if you look at the 30th September balance sheet. Now with such a low inventory days, such high churn, I mean you do not get much exposure to the swing in steel prices, okay?

And this is what we have learned from our sister company Apollo Steel Tubes also that our job is to is to churn the inventory 15 to 20 times in a year and which should protect our P&L and balance sheet from any steel price swings, right? So same same business model we are applying here where we do not wish to have any inventory losses or gains.

We wish to work with very lean inventory and idea is to churn it as much as possible to generate higher ROCs and without hurting the P&L due to steel price swings.

**Garvit Goyal:** Got it. So considering the execution we had in this quarter and H2 is usually better, I assume that than H1? Are we in line with growing that our earlier EBITDA guidance of INR300 crores for FY27?

**Anubhav Gupta:** See, we have already achieved INR131 crores in the first half, so we need INR170 crores in the second half, which means INR80 crores run rate, we should be able to achieve this. I do not see any problem.

**Garvit Goyal:** Got it. And in last concall you highlighted about the interest rate getting increased, right? And that can potentially lead to some macro challenges which can impact our business. Where we

are on that in terms of the traction are you people seeing because recently RBI hiked the interest rate. So, what is your internal analysis saying on that and how it can impact?

**Anubhav Gupta:** Can you sorry, your voice cracked. What was it you asked? Sorry, can you repeat please?

**Garvit Goyal:** Yes, I will repeat that. Yes. In last, is it fine now. Right?

**Anubhav Gupta:** Yes, go ahead.

**Garvit Goyal:** So, I was asking in last con call you highlighted about the macro challenges arising because of rising interest rate environment for our business model. So, we are seeing that that is happening, right? So, I wanted to understand from you what impact we can be visible, not in this financial year, maybe in FY28, it can hamper maybe our relative growth rate.

**Anubhav Gupta:** So, see there are two three factors, right, which are impacting the macro environment. One is of course the swing in commodity prices since Middle East crisis started, okay? Steel prices specifically, they shot up by 25%-30% in the last 6 months, 7 months. And this is one that when the base commodity prices move with such a spike, okay, it does impact the end demand because ultimately the end customer of steel is either a construction company or an automobile company or a white good company, right? So, these are the three main application sectors.

So, it does impact demand to some extent which we are grappling with. Second factor is the of course freight for exports or imports, right? Ocean freight prices have shot up significantly. So, any business which is dependent on the international sales, right, or imports, that business is getting impacted a lot, right? So, any of our customers who is into international trade, demand from that customer obviously gets impacted.

And third is overall sentiments with crude prices and other commodity prices at sky high. So that also hurt the regular business sentiments, right? So, this is what is impacting the overall macro sector in India, I would say. But SG Mart is a very young business model, right? We have just started our journey 1.5 years, 2 years ago when we stabilized our business model where we are combining trading with the backward manufacturing.

We don't see macro factors impacting us too much that could derail our growth in the coming quarters. But yes, we are being cautious and what we are doing is that we are not keeping high inventory. We are keeping very high inventory churns and we don't wish to take debt, right? So whatever capex we do, it is being done from the internal cash flows and the existing cash on the books.

**Garvit Goyal:** Got it. All the best for the future, sir. Thank you very much.

**Anubhav Gupta:** Thanks.

**Moderator:** Thank you. The next question is from the line of Akhilesh Kumar from Astro Technologies. Please go ahead.

**Akhilesh Kumar:** Yes, Anubhav, can you give a breakup how many service centers you said eight are working. So, all eight are fully functional and quarter wise how much numbers we can expect like say this quarter any more operational will be coming up?

**Anubhav Gupta:** Yes, so eight are fully operational, right? If I have to name like Ghaziabad, Jaipur, Ahmedabad, Pune, Bangalore and Raipur, okay? And then we are in process of acquiring land at locations where we see very quick turnaround like Jammu, Punjab, Rajkot, then Coimbatore, Chennai, Visakhapatnam, Bhubaneswar, right?

So, we have mapped the whole India, okay? And we are going after those locations with the game plan. Number one is to acquire 8 to 10 acres of land parcel wherein we can have where we can have our processing centers, we can have our profile manufacturing center, plus we can have our warehousing infrastructure where we can keep finished goods for the steel downstream sector.

**Akhilesh Kumar:** Okay. So, the capex also. This quarter which center is the new one? I think you said this quarter also I think we were gone up by one, right?

**Anubhav Gupta:** So, this quarter we added Indore. Okay. Right, so Jaipur was started 2 months ago, Ahmedabad was started 2 months ago. So, all these centers will show significant growth in the December quarter and March quarter and then we'll have next leg of two, three service centers which will be operational by April, May, right? And then so every 6 months you will see addition of service centers.

**Akhilesh Kumar:** Okay. And the volume side for service centers, if I see year-on-year, I think we have got it reduced little bit. Even though we have service centers?

**Anubhav Gupta:** No. So, if you look at the footnote here, it service centers. So earlier we used to have B2B metal trading also, okay? So now that is completely stopped, right? So, we are showing the merged volume, okay? So whatever little B2B volume we are having, that's very ministerial, so that is going through service center only. If you look at the pure service center sales, okay, they are up 30% Y-o-Y.

**Akhilesh Kumar:** Okay. So, in the presentation it was -- I think not written, so I thought it is reducing.

**Anubhav Gupta:** No, it is written in the footnote where we have given the quarterly financial performance segment wise slide. It is there in the footnote.

**Akhilesh Kumar:** Okay. I think we can separate it and that will help us to finding out.…

**Anubhav Gupta:** Yes, sure. You can write to us separately. We will give you the data.

**Akhilesh Kumar:** Okay. And one more thing, the Dubai service center, how they are doing because in Q1 they were having some impact. How they did in Q2?

**Anubhav Gupta:** Dubai also I mean is doing fine in terms of volume is stagnant Q-o-Q. But yes, because of scarcity of steel, margins are slightly better. But yes, we wait for things to become better there in terms of ports getting opened up and then we start inflow of steel.

**Akhilesh Kumar:** Okay. So, because margins are better there, do you plan anything there as well expanding?

**Anubhav Gupta:** We'll take a call once the crisis is over, then probably we'll see if we have to add more service center in UAE or in any of the neighboring Gulf country.

**Akhilesh Kumar:** Okay. Thanks a lot. That's it from my side.

**Moderator:** Thank you. The next question is from the line of Vikas Mistri from Moonshot Ventures. Please go ahead.

**Vikas Mistri:** Yes, Anubhav, just in this slide we have shown that the in upcoming products we have CRCA sheets. So how do you see this opportunity of CRCA sheets and it has a huge market share to address and what are the margin profiles in this segment?

**Anubhav Gupta:** So, see, CRCA sheet is a cold rolled cold anneal product, okay? It is mainly used for industrial application and the furniture application because it gives some agility to steel. So, see, our service centers are operating in any industrial cluster of each state of the country, right? Now in that industrial cluster, you have multiple factories.

So, these CRCA sheets are used for various fabrication jobs inside the factory, in capital goods, in machinery, okay, in furniture applications. So, yes, idea is to have a presence in that industrial cluster where the existing buyers may be buying from far off locations. Now that we are penetrating right in that industrial cluster with this facility, there is a very solid demand traction what we see. So we think that each service center can generate 1,000 tons to 2,000 tons per month of CRCA sheets.

**Vikas Mistri:** Okay, so what are the realizations and margins on this?

**Anubhav Gupta:** So over HR coil, it is sold around INR2,000 to INR3,000 per ton higher.

**Vikas Mistri:** Okay, okay. That's all from my side, and really congratulations to the team for very good execution.

**Anubhav Gupta:** Thanks.

**Moderator:** Thank you. The next question is from the line of Rahul Kumar from Vaikarya. Please go ahead.

**Rahul Kumar:** Yes, hi. Just one question on the EBITDA per ton which you used to disclose for the various segments. So how are they this quarter versus what it was last quarter? And going forward, how do you see this, parameter moving?

**Anubhav Gupta:** So, EBITDA per ton, if you see, I mean, for service center business, it is around like INR2,000 per ton plus minus, and it's been like stable Q-o-Q. Then in the profile business, so one is the steel profiles which are sold through distribution channel, there we are making INR4,000 to INR5,000, and in the solar structures we are generating INR3,000 to INR4,000. That's also kind of stable quarter-on-quarter.

**Rahul Kumar:** Yes.

**Anubhav Gupta:** Yes.

**Rahul Kumar:** And going forward, I think you mentioned that the backward integration will improve the operating profit in this renewable structure business. Other than that, are there any other levers to further improve this profitability?

**Anubhav Gupta:** So, once we do a backward integration of coated steel, we're going to launch coated steel sheets in our service centers, which is again a high margin product compared to processed HR sheet. And, so one is it will add profitability in terms of better product mix, plus it will also add on to the same-store sales growth in each service center.

**Rahul Kumar:** Okay. And, in terms of upcoming product launches which you have mentioned, are these products going to be manufactured in the service center or is it more of trading products as of now?

**Akhilesh Kumar:** No, say it again.

**Rahul Kumar:** In terms of the upcoming products launches which you have mentioned in the slides, baking sheets, wire mesh, binding wires, etcetera, so these are more of in-house manufacturing at the service center or we're planning to do?

**Anubhav Gupta:** Right now, no, we'll start with the trading as in like we'll buy from factories, third-party factories, and once any product gets scaled up then we'll plan to put up our own manufacturing.

**Rahul Kumar:** Okay, okay.

**Anubhav Gupta:** And so, yes, the idea is that, I mean, in service center you can sell dozens of products, n number of products. So, any product which makes sense to have own manufacturing, we're going to have our own plant. Product where the third part job work is feasible, we'll go with that.

**Rahul Kumar:** Okay. So, the capex figure which you mentioned, INR1,500 crores, this includes the the plant and machinery for the existing products and the land passes, right?

**Anubhav Gupta:** That's right.

**Rahul Kumar:** Okay,

**Anubhav Gupta:** Okay.

**Moderator:** Thank you. The next question is from the line of Rohan Baranwal from Arihant Capital Limited. Please go ahead.

**Rohan Baranwal:** Hi, good evening, sir. Thank you for the opportunity. My question is, are coated steel supplies from mills have been fully normalized? And, what is the current solar order book in tons? And how much of the guided 130,000 tons to 150,000 tons of, of our emission is contracted versus in pipeline, sir?

**Anubhav Gupta:** So solar order book, like if you look at our quarterly run rate, which is like 11,000 tons per quarter, so annual is 50,000 tons. We have order book of more than 50,000 tons currently. Okay, we were waiting to book orders, because steel prices were going up. So now steel prices have some stability, and also there were some delays from the independent power producers, in land acquisition. So that also got resolved now. So, we booked a lot of new orders in the last few weeks, specifically in month of October. So, we have fairly like, 1-year visibility for, as far as the order book is concerned.

**Rohan Baranwal:** Got it. And so, the next question is on the data -- service center side. So, of the next 18 centers which we are planning, how many of these are in metros versus the non-metro sites? And what could be the blended capacity assumption for this whole 25 centers?

**Anubhav Gupta:** So, on an average, we put up like, 8,000 tons of, HR coil processing, in one service center. Then 1,000 tons to 2,000 tons of CRCA sheets and 2,000 tons to 3,000 tons of pre-galvanized sheets. So, which comes out to be like 12,000- tons, 12,000 tons-13,000 tons per service center per month. Now if you analyse this, and you multiply it with 25 service centers, this number will be around 3.5 million tons.

**Rohan Baranwal:** Got it, sir. And, on the 18 centers which we are planning for, how many could be in the metros versus the non-metros, sir? If you can provide us some numbers on that?

**Anubhav Gupta:** It's kind of mainly, non-metros. Right, I mean metro cities, so there are like 7-8 large service centers including like what we already have in Ghaziabad then Bangalore, Pune, Ahmedabad, Hyderabad, Kolkata we are opening up, then there'll be like tier 2 like Coimbatore, Indore, Kanpur, Patna, Jammu, Mandi, Punjab. So it's kind of 7-8 large service centers in metro cities, then all will be in like Tier 2, Tier 3 industry clusters.

**Rohan Baranwal:** Got it, sir. Thank you very much, sir. That answers my questions.

**Moderator:** Thank you. The next question is from the line of Akhilesh Kumar from Astro Technologies. Please go ahead.

**Akhilesh Kumar:** Oh Yes, Anubhav, you mentioned about the SG Buildkart. What we are trying to acquire that and achieve that, are we planning to launch our own digital platform?

**Anubhav Gupta:** Yes, so, so see, I mean, we have started tracking a lot of data points, okay? What all products are being bought by what kind of customers. So, idea is to build a simple tech stack model for the time being wherein we are able to facilitate most of these sales through our online sales channel, right? And once we are able to attract customers to start doing business through this channel. So, we are just encouraging ease of doing business.

And where -- because a lot of these -- a lot of our customers have very strong relationship with us wherein we are servicing them on daily basis, right, to feed their factories. So at least where the relationship has become very, very healthy and the dealings are very transparent Those transactions we wish to convert online, so which will help in ease of doing business.

And then we scale that up once we have our own learning curve. So, it is just -- I mean, right now we don't want to guide too much like how it's going to boost our overall sales. Right now, the focus is to have a tech stack ready with focus on ease of doing business and collecting and working on the data points.

**Akhilesh Kumar:** Any particular reason to have it in separate tech company?

**Anubhav Gupta:** It's a subsidiary, right? So, I mean, in future, I mean, it will have its own P&L because it will carry a lot of investment. So we wish to understand that whatever investments we make, right, they should generate desired ROIs.

**Akhilesh Kumar:** Okay, you are saying that right now we are exploring this, how it pans out, and later on you may think of making it a digital platform for B2B?

**Anubhav Gupta**: Yes.

**Akhilesh Kumar:** okay.

**Anubhav Gupta**: So we don't wish to do a lot of cash burn here, right? Idea is to work on the existing sales, convert existing sales to the online channel.

**Akhilesh Kumar**: Okay, great. Thanks sir.

**Moderator:** Thank you. The next question is from the line of Akshat Beriwala from Nuvama Wealth Limited. Please go ahead.

**Akshat Beriwala**: Good evening, sir. So what is the expected investment per service center In what level of revenue or throughput makes a center economically viable?

**Anubhav Gupta**: So the simple math says that the land, investment is around, INR50 crores, okay, for, 10-acre parcel. Then, INR5 crores investment into plant and machinery, and INR10 crores investment in the industrial shed. Okay, the construction of shed. So the investment is around INR70 crores-INR80 crores, okay, which can generate monthly revenue of around INR70 crores, 80 crores with EBITDA margin of 3%, 4%. So if you analyze it with 18 days of working capital cycle, we do get 25% plus ROC.

**Akshat Beriwala**: Okay. And so as the network expands, I understand there will be some initial costs. So at what stage would operating leverage make the numbers more rosy, like, in terms of a timeline of a service center?

**Anubhav Gupta**: No. So, the new product what we're going to start, which is, pre-galvanized and CRCA sheets for which the backward integration plant is being put up in Raipur. So that will add to my top line and bottom line straight away, okay, because I will have the backward manufacturing margins there, plus, service center is already there, the infrastructure is already there. So it will add to my same-store sales growth. So that will be highly ROCE accretive, which should start, 12 months from now. 12 months to 15 months from now.

**Akshat Beriwala**: Okay, sir, understood. That's it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Jatin from Nuvama Wealth Limited. Please go ahead.

**Jatin:** Hi, Anubhav, good evening. So I had two questions. First is, so which regions actually offer you the best opportunity for expanding in service centers and how are you prioritizing which location is better than the other one?

**Anubhav Gupta**: So what we feel is that there is gap of a good service center, credible service center, pan-India service center, formalized organized service center in every industrial cluster in India. Okay, so I mean now Punjab itself is a big industry, right, we're putting up like 2 service centers, one in Jammu and one in Mandi Punjab itself, right, which will cater to various locations like Mandi Gobindgarh, Ludhiana, Jalandhar industrial belts.

Okay, now in Chhattisgarh and Madhya Pradesh, we are putting up service centers in Indore and Raipur. For East India, we are looking at like Siliguri and Guwahati, and Kolkata. Okay, so I mean, what we see is that there is a massive gap, okay, of having a credible service center which can feed the industries on a daily basis, right, for the Indian manufacturing hubs.

**Jatin:** Okay. That's good. I understood that.

**Anubhav Gupta**: And I mean, the ROE profile remains same because if you're buying the land in Ghaziabad, it will cost, say, INR100, and, if you're buying in Jammu, the land will cost INR50, right? So volume in Ghaziabad will be much higher than volume in Jammu. So, that gets adjusted with the land cost and investment value.

**Jatin:** Okay, sir. My second question is on sourcing. So, Correct me if I'm wrong, but, you might be getting some benefits from, the steel mills, right? How important are these benefits or discounts if you are receiving them from steel mills? And, can these benefits increase as your volumes scale up?

**Anubhav Gupta**: So definitely, if you see, I mean, we are processing around 1 million-1.5 million tons of steel, right, every year, which would make us among India's top 5, top 7 steel consumers. So as this volume increases from 1 million to 2 million to 3 million to 4 million tons in next 3years, 4 years, definitely, the benefits should improve.

**Jatin:** Okay, sir, that's from my end.

**Anubhav Gupta:** Thanks.

**Jatin:** Thank you.

**Moderator:** Thank you. We take that as the last question from the participants. I now hand the conference over to management for closing comments.

**Anubhav Gupta**: Thanks everyone for dropping by. I wish you a good festive season ahead and look forward to see you again during our Quarter 3 FY27 Earnings Call. You may reach out to our Investor Relations team for any further queries. Thank you.

**Moderator:** Thank you. On behalf of Nuvama Wealth Management Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.