

Date: 12/08/2023

<p>To, The Manager, Listing & Compliance, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.</p> <p><u>Ref: Scrip Code - 540393</u></p>	<p>To, Listing Department, National Stock Exchange of India Limited, C-1, G-Block, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051</p> <p><u>Ref: Scrip Symbol - SMLT</u></p>
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Subject: Earnings Presentation Q1 FY 2023-2024.

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith Earnings Presentation of the Company. The said presentation is also being made available at the website of the Company at www.sarthakmetals.com You are requested to kindly take the same on your record.

Thanking You,

For, Sarthak Metals Limited

Pratik Jain
Company Secretary and Compliance Officer

Encl. as above.



Q1FY24 Earnings Presentation

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SARTHAK METALS LIMITED

Modern metallurgical solutions for fine tuning steel

01

Q1FY24 Result Summary

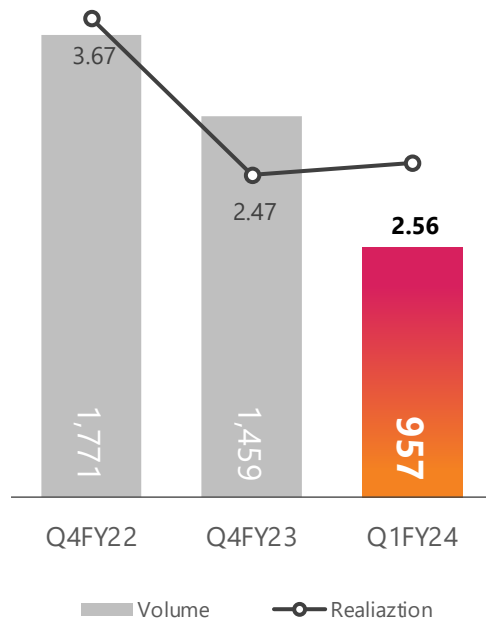


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Q1FY24 Operational Highlights

Cored Wire Volumes & Realizations

(IN TONNES & ₹LAKH/TONNE)



25 Crore

Revenue

-46%

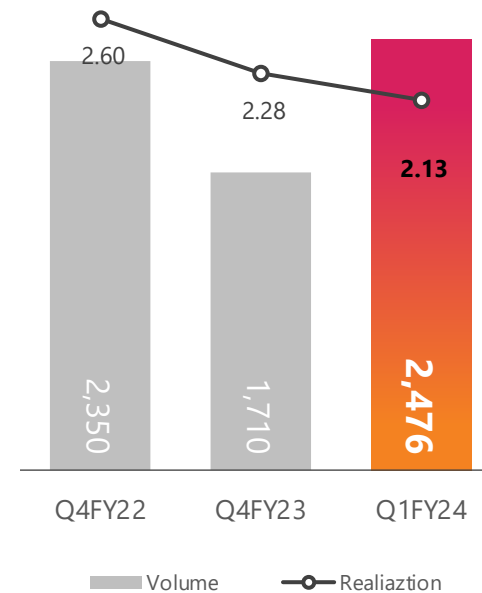
Decrease in Volume (YoY)

-30%

Decrease in Realizations (YoY)

Aluminium Flipping Coil Volumes & Realizations

(IN TONNES & ₹LAKH/TONNE)



53 Crore

Revenue

5%

Increase in Volume (YoY)

-18%

Decrease in Realizations (YoY)

Q1FY24 P&L Summary

PARTICULARS (₹ IN CRORES)	Q1FY24	Q4FY23	Q1FY23	YOY% change	QOQ% change
Revenue from Operations	81.80	80.82	133.72	-39%	1%
Total Income	82.04	81.45	135.25	-39%	1%
Operating Expenses	73.76	71.73	119.74	-38%	3%
EBITDA (Excluding OI & EI)	8.04	9.09	13.99	-43%	-12%
EBITDA %	9.8%	11.2%	10.5%	-64 bps	-142 bps
Finance Cost	0.11	0.20	0.65	-83%	-44%
Depreciation & Ammortization	0.43	0.44	0.31	41%	-2%
PBT	7.25	7.82	11.50	-37%	-7%
PAT	5.35	5.78	8.58	-38%	-7%
EPS (₹)	3.87	4.23	6.27	-38%	-9%

Management Commentary

Commenting on the Q1FY24 performance, Sanjay Shah, Executive Director, said:

"I am pleased to present you an update on our performance for the first quarter of the financial year. The start of this financial year has presented us with some challenges, primarily in our Cored Wire product segment. The demand environment for Cored Wires has remained subdued, influenced by a combination of factors. During Q1, our exports for Cored Wires experienced a decline. Additionally, soft domestic demand prevailed due to seasonal factors such as the impact of rains and planned maintenance shutdowns by a number of our valued clients.

However, despite these challenges, we remain optimistic about the coming months. We anticipate a more favorable scenario in the second half of the year for our Cored Wire business. As market conditions evolve and normalize, we are confident in our ability to leverage opportunities and drive growth in this segment.

On a brighter note, our Aluminium Flipping Coil business has shown resilience. We achieved noteworthy volume growth both year-on-year and quarter-on-quarter, leading to a robust performance during the quarter. This accomplishment underscores our commitment to adapting to market dynamics and delivering positive results to our stakeholders.

Furthermore, we are excited to share developments in our Flux Cored Wire project. Progress is proceeding as planned, with the machinery for the upcoming manufacturing line now on-site and currently undergoing installation. We envision trial production to commence in September, with the anticipation of achieving commercial production volumes by Q3. We hold a positive outlook on the market's reception of our Flux Cored Wire products, and believe this category holds significant potential for the future.

Looking ahead, our focus remains unwavering. We are optimistic for a stronger performance in the second half of the year across our existing businesses, encompassing both Aluminium Flipping Coils and Cored Wires, and the addition of Flux Cored Wires. Further, we feel as far as realisations for both the products are concerned, there are signs of price stabilisations, and we may witness improvements in the same in coming quarters."

Venturing Into Flux Cored Wire



Overview

- Flux Core Arc Welding is a type of welding process using consumable electrode that contains flux around it
- Flux melts together with the electrode during the welding process and shields the joint
- Presently, India has little to none manufacturing capacity for this product range
- Its needs are met from imports, predominantly from China, thus offering an import substitution opportunity



Applications

- Fabrication workshops
- Shipbuilding industry
- Construction activities
- Mechanical industries
- Usable on plain, carbon, alloy, stainless as well as duplex steel
- Used for hardfacing and surfacing

Current Project Status

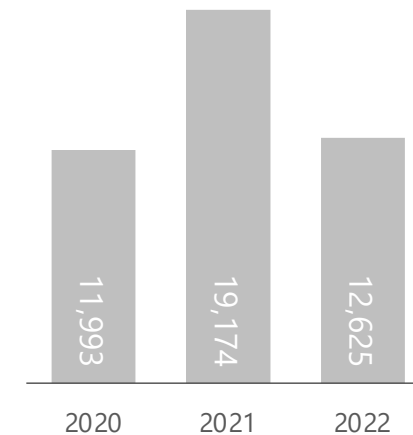
- Plant & machinery has arrived at site, installations ongoing
- Trial production to begin in September and commercial supplies from Q3FY24



Import Substitution Opportunity

INDIAN IMPORTS OF FLUX CORED WIRE

(IN MT)



(Source: Volza)

~14,500 TPA

3Y AVERAGE IMPORT QUANTITY

1,200 TPA

INITIAL CAPACITY ANNOUNCED BY SML

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ABOUT



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Desraj Bansal Group

The 650+ crore* Desraj Bansal Group ("DB Group") is a leading business group with interests in the Metals and Energy sector. DB Group has 5 state-of-the-art fully-functional manufacturing facilities in Bhilai, Chhattisgarh, housed under 3 group entities.



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MANUFACTURING FACILITIES



03

GROUP ENTITIES



SARTHAK METALS LIMITED



CORED WIRES & ALUMINUM FLIPPING COIL

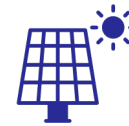
10,000 TPA

CAPACITY FOR CORED WIRES

15,000 TPA

CAPACITY FOR ALUMINUM FLIPPING COILS

SARTHAK ENERGY (P) LIMITED



SOLAR ENERGY

02 MW

SOLAR POWER PLANT

BANSAL BROTHERS



FERROALLOYS

6,000 TPA

CAPACITY FOR FERROALLOYS



*Provisional figure

Sarthak Metals Snapshot

Sarthak Metals Limited ("Sarthak") part of the Desraj Bansal Group is India's leading manufacturer and exporter of Cored Wires and Aluminium Flipping Coils that find application in the metallurgical industry. Being an experienced and quality conscious manufacturer, Sarthak is the preferred supplier for these products to some of India's largest steel units.

Headquarter in Bilai, Chhattisgarh, with its state-of-the-art, ISO 9001-2000 certified manufacturing units, the Company is strategically located in close proximity to a critical steel hub in the country.



LEADING

AMONGST THE LEADING CORED WIRE MANUFACTURERS IN INDIA



650+ CRORE

PART OF THE 650+* CRORE DB GROUP



10,000_{TPA}

PRODUCTION CAPACITY FOR CORED WIRES



21%

REVENUE CAGR (FY19-23)



15,000_{TPA}

PRODUCTION CAPACITY FOR ALUMINUM FLIPPING COILS



425+

COMMITTED WORKFORCE



30+

ACTIVE CLIENTS



51%

PAT CAGR (FY19-23)

Milestones



1995

- Incorporated in 1995 with an industrial gases unit producing industrial oxygen and carbon dioxide catering to industries units in its vicinity



2008

- Commenced production of Aluminium flipping coils with its first mill built in-house



2017

- Raised funds through its initial public offer and got listed on BSE SME



2022

- Crossed 450+ crores topline benchmark



2002

- In efforts to cater to the growing metallurgical industry in the country, commenced its first cored wire mill built in-house



2012

- Started manufacturing cored wire feeder machines



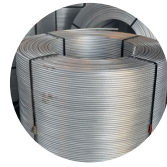
2018

- Started producing Aluminium wire rods (backward integration for flipping coils)

Product Categories



The Company has two primary product categories i.e., Cored Wires and Aluminium Flipping Coils. In addition, the Company also produces Cored Wire Feeder Machines.

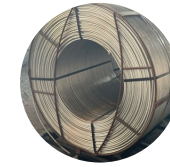


Cored Wires

- Cored Wires are a product of wire injection technology of steels. They consist of steel tubes (wires) filled with various alloys that are injected in molten metal for introducing different characteristic in the metal.
- Some key cored wires manufactured by Sarthak are – Calcium Silicide, Calcium Iron, Calcium Aluminium Iron, Calcium Solid Wire, Lead Cored Wire, Ferro Titanium, Carbon, Ferro Boron, Magnesium Ferrosilicon, Nitride Manganese, Ferro Niobium.
- Key functions of cored wires is steel refining, alloy addition, deoxidation, desulphurization, denitrification, etc.

Why cored wires?

Cored wires (or wire injection technology) are a substitute to single-shot addition of alloys into molten metal. Cored wire helps in uniform and homogeneous mixing of alloys in the ladle. It is a more accurate and efficient process of adding chemical elements in the casting. Cored wires have become a indispensable part of metallurgical plants today.



Aluminium Flipping Coils

- Aluminium flipping coils are used in steel manufacturing process for de-oxidising of molten steel, and as a alloying element for manufacturing specialized steel.
- Key function of Aluminium wire is de-oxidising, grain refining, nitride forming and alloying of steel.

Wire Feeder Machines

- Machines that are designed to inject cored wires into molten steel for metallurgical process control. The Company offers a wide range of customized machines, with 2 and 4 strand options that can draw wires from 5 to 15 mm diameter with a speed of up to 300 meters per minute.

Infrastructure

- The Company has two state-of-the-art manufacturing facilities in Bhilai, Chhattisgarh
- Strategically located in proximity to many clients
- Cumulative ~2,50,000 sq. ft. plot area, with land availability for future expansions
- 4 lines for manufacturing cored wires and 2 lines for Aluminium flipping coils, built in-house specific to the Company's needs
- Equipped with sophisticated machinery and testing equipment's
- ISO 9001:2008 certified unit
- Equipped with a fully-functional chemical lab, and atomic absorption spectrophotometer for testing and QC of raw materials & finished products

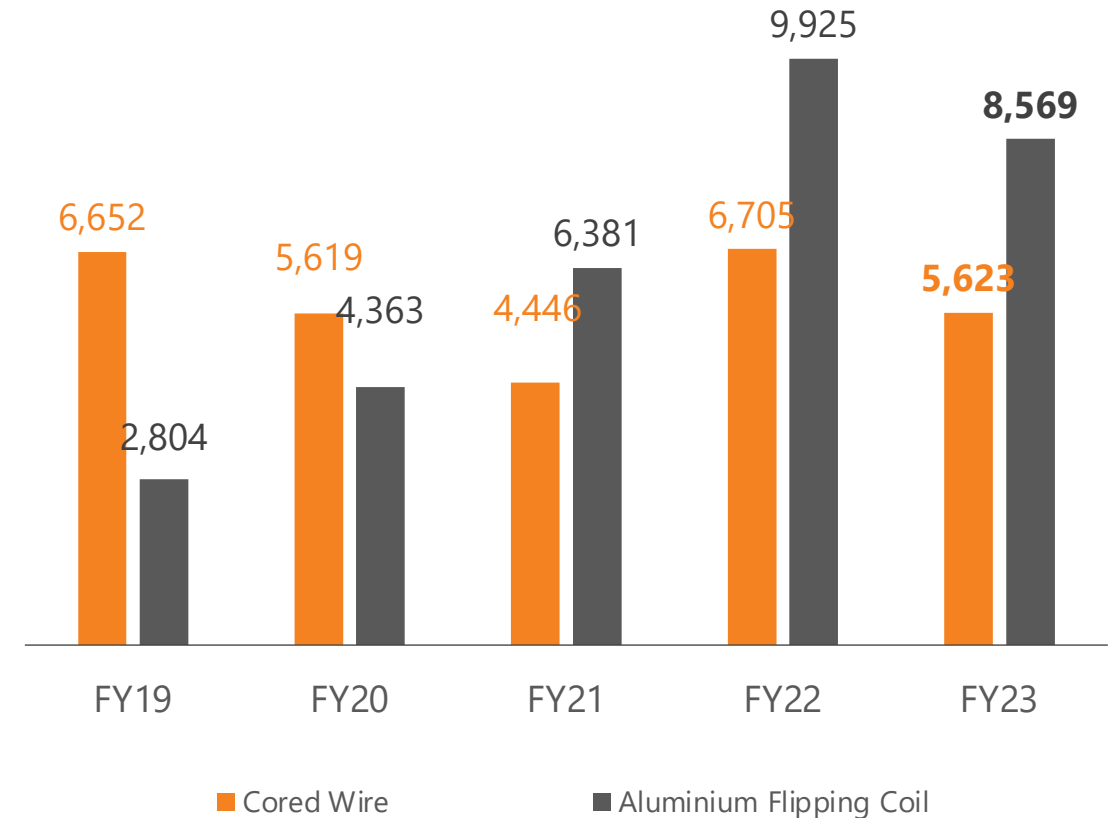
Manufacturing Capacity (Double-shift)

10,000 TPA
CORED WIRES

15,000 TPA
Aluminium FLIPPING COILS
(Expanded in FY23)

Production Trends

(IN TPA)



Clients

Domestic



Exports

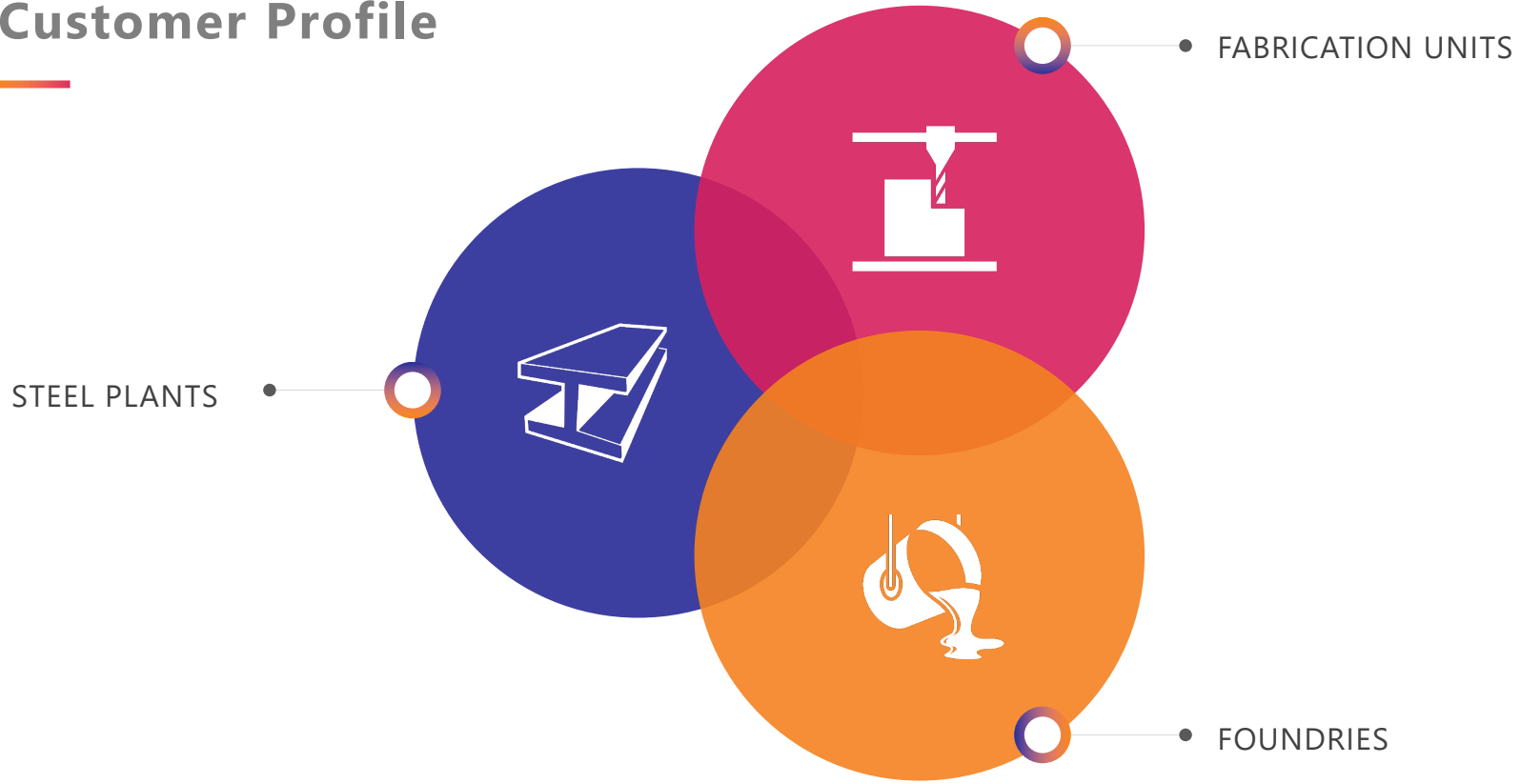


SHADEED IRON &
STEEL CO. LLC



Clients (Contd.)

Customer Profile



 **20**

10 YEAR+ RELATIONSHIPS

 **05**

5 YEAR+ RELATIONSHIPS

 **40%**

TOP 5 CLIENTS
SALES CONTRIBUTION

 **~85%**

REPEAT BUSINESS

Warehousing Capabilities

- Equipped with state-of-the-art warehousing capabilities
- Ensuring uninterrupted and reliable supply of metallurgical solution to our clients
- Establishing Sarthak's as a preferred supplier with leading Indian steel mills



Cored Wires

- **1,500 Sq. Mt.** material storage space for Cored Wires
- Sufficient to stock **2,000+ tonnes** of material, equivalent to **3 months** buffer
- Sufficient space to stock finished products as well

Aluminium Flipping Coils

- **2,800 Sq. Mt.** material storage space for Aluminium Flipping Coil
- Sufficient to stock **4,000+ tonnes** of material, equivalent to **4 months** buffer
- Sufficient space to stock finished products as well

Leadership



Anoop Kumar Bansal
MANAGING DIRECTOR

Mr Bansal has a Bachelors in Commerce degree from Nagpur, as Managing Director he has been instrumental in strategic planning. He brings innovative commercial ideas, execution-led experience, and vision to the table, which has contributed to the Company's success. He is also entrusted with looking after DB Group's ferroalloys division and the Company's industrial gases division (which has been sold in 2021). In addition, he leads the CSR initiatives at the Company.



Sanjay Shah
WHOLE-TIME DIRECTOR

Mr Shah is a Whole-Time Director and the head of Marketing team at Sarthak. He has been instrumental in creating the domestic business of Sarthak, and getting the Company empaneled with leading steel institutions of the country, and as a result Sarthak works with the largest Indian steels mills today.



Mayur Bhatt
WHOLE-TIME DIRECTOR
& CEO

Mr Bhatt is a Whole-Time Director and the Chief Executive Officer of the Company. He is an essential link between the production and sales functions of the organisation; he also manages the day-to-day business and financial activities of the Company. He also contributes to raw materials management. His contributions have been of great value to the Company.

Board of Directors

Mr Sunil Kumar Agarwal

CHAIRMAN & NON-EXECUTIVE,
NON-INDEPENDENT DIRECTOR

Mr Agarwal is the Chairman of the board and a Non-Executive Director in the Company. He holds a Bachelors Degree in Engineering (Mechanical) (Honors). In his past roles, Mr Agarwal has been associated with GCET Raipur, Indian Railways Traffic Services, and served prestigious roles such as Divisional Railway Manager, Chief Commercial Manager SEC Railway, Chief Operating Manager and additional member to the Ministry of Railways.

Ms Rama Kohli

NON-EXECUTIVE, INDEPENDENT
WOMAN DIRECTOR

Ms Rama Kohli is a Non-Executive and Independent Director of the Company. She holds a Bachelors Degree in Science from Pt. Ravishankar Shukla University, Raipur. In addition, she has also completed her PGDBM from Pt. Ravishankar University, Raipur. She is currently undertaking various management advisory activities.

Mr Sunil Dutt Bhatt

NON-EXECUTIVE,
INDEPENDENT DIRECTOR

Mr Sunil Bhatt is a Non-Executive and Independent Director of the Company. He has more than 35 years of work experience as a part of the department of Instrument and Weighing in Bhilai Steel Plant, SAIL. He recently retired in 2020 and joined the Company's board in 2021.

Mr Dwadasi Venkata Giri

NON-EXECUTIVE,
INDEPENDENT DIRECTOR

Mr Dwadasi Venkata Giri is a Non-Executive and Independent Director of the Company. He has completed his Post Graduation (M.Com) from Pt. Ravishankar Shukla University, Raipur. He also completed LLB and CA IIB from Raipur. He has vast experience in the banking and finance domain.

02

STRATEGIC DRIVERS



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Investment Thesis



Industry tailwinds

Indian steel industry is expected to register healthy volume growth, with growing capacity utilizations and addition of new capacities on back on growing domestic & international demand. This bodes well for our Cored Wire business.



Expansion – Aluminum flipping coils

The Company has recently added a 3rd furnace to support higher manufacturing throughput in its Aluminum Flipping Coils product category, which has led to a capacity augmentation by up to 50%.



Ramp-up – Cored wires

Ramping up operations of Cored wires by cornering higher market share and leveraging the growing crude steel production in India.



Export opportunities

Getting export growth back on track by adding newer markets, while growing in existing markets.



Integration in value-chain and Diversification

Evaluating opportunities in the value-chain that will aid in growth and margin expansion. In addition, the Company has recently decided to diversify into an adjacent product category i.e., Flux Cored Wires that find application for welding in fabrication units & industry.



Healthy financial performance

Operating leverage in profitability margins is expected to kick in with growing scale of operations. The Company plans to maintain healthy dividend payouts on the back of growing profitability.

Strengths and Weakness








STRENGTHS

- Among the leading players in metallurgical cored wires
- Strategically located facilities
- Strong clientele with India's leading steel players
- Long standing track record as a consistent, quality solution provider
- Experienced promoters and strong parentage of the Group
- 2nd generation management driving newer segments and exploring ideas for expansion in adjacent categories

WEAKNESS

- Fragmented market
- Cyclicity of the steel industry
- Working capital intensive operations

Business Canvas

 Key Partnerships		 Key Activities		 Value Proposition		 Customer Relationships		 Customer Segmentation		
<ul style="list-style-type: none"> • Cordial relationships with suppliers 		<ul style="list-style-type: none"> • Manufacturing • Sales & marketing • Purchase planning 		<ul style="list-style-type: none"> • Quality products for metallurgical industry as per client specifications • Cored wires • Aluminum flipping coils • Cored wire machines 		<ul style="list-style-type: none"> • Long standing customer relations based on trust & quality 		<ul style="list-style-type: none"> • Steel plants • Fabrication units • Foundries 		
		 Key Resources				 Channels				
		<ul style="list-style-type: none"> • State-of-the-art manufacturing setup 				<ul style="list-style-type: none"> • Directly engaged with all the customers 				

03

FINANCIAL SUMMARY

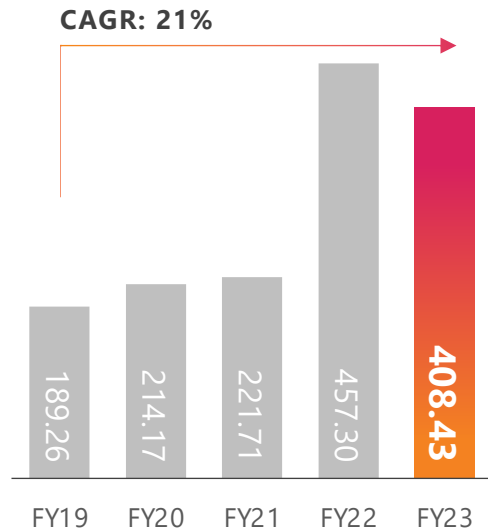


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5 Year Summary

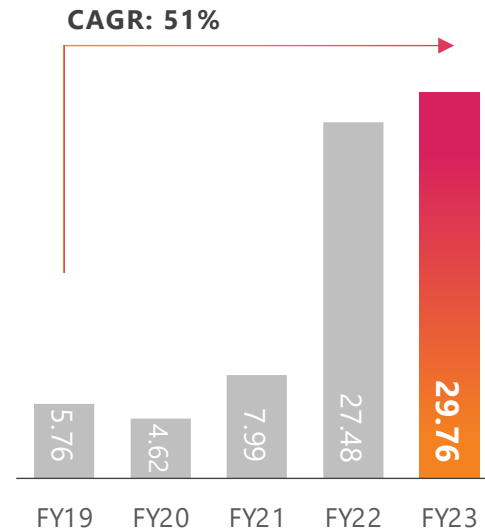
Revenue from Operations

(₹ IN CRORES)



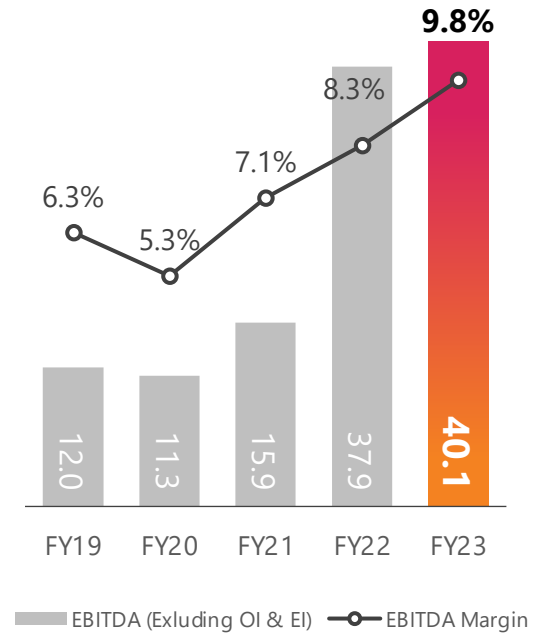
Profit After Tax

(₹ IN CRORES)



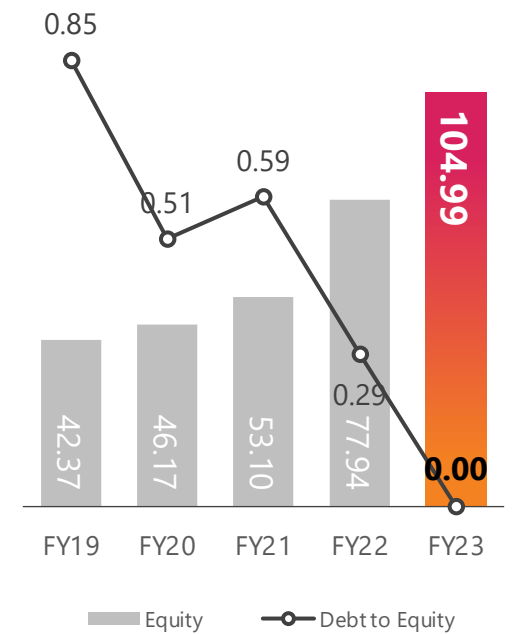
EBITDA & EBITDA Margins

(₹ IN CRORES & IN %)



Equity & Debt to Equity

(₹ IN CRORES & TIMES)



P&L Summary

PARTICULARS (₹ IN CRORES)	FY19	FY20	FY21	FY22	FY23
Revenue from Operations	189.26	214.17	221.71	457.30	408.43
Total Income	190.83	215.26	222.08	458.26	412.23
Operating Expenses	177.27	202.92	205.86	419.39	368.34
EBITDA (Excluding OI & EI)	11.99	11.25	15.85	37.91	40.09
EBITDA %	6.3%	5.3%	7.1%	8.3%	9.8%
Finance Cost	3.87	3.63	3.3	4.00	1.34
Depreciation & Ammortization	1.58	2.25	2.14	1.69	1.54
PBT	8.11	6.46	10.78	33.18	41.01
PAT	5.76	4.62	7.99	27.48	29.76
EPS (₹)	4.21	3.38	5.78	20.03	21.74

CAGR
(FY18-22)

Revenue
21%

EBITDA
35%

PAT
51%

Balance Sheet Summary

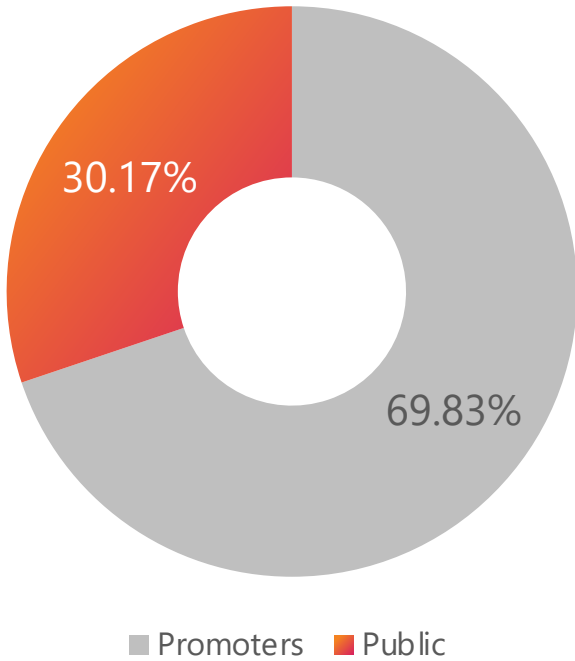
PARTICULARS (₹ IN CRORES)	FY19	FY20	FY21	FY22	FY23
Shareholders' Funds	42.37	46.17	53.10	77.94	104.99
Non-Current Liabilities	3.25	2.38	5.31	3.44	0.96
Long Term Borrowings	2.75	1.61	4.41	2.58	0.00
Current Liabilities	38.22	27.72	32.84	34.70	4.03
Short Term Borrowings	33.35	21.84	26.79	19.75	0.00
Trade Payables	3.46	3.87	0.65	10.28	0.52
Total Equity and Liabilities	83.84	76.26	91.25	116.08	109.99
Non-Current Assets	15.59	18.10	15.65	13.77	14.27
Tangible Assets	13.78	14.45	13.65	11.30	11.04
CWIP	0.20	0.00	0.08	-	1.71
Current Assets	68.25	58.16	75.61	102.31	95.72
Inventories	26.05	21.93	29.76	28.13	14.54
Trade Receivables	23.24	28.20	38.18	56.84	53.06
Cash & Bank Balances	3.54	1.28	7.77	7.77	15.17
Total Assets	83.84	76.26	91.25	116.08	109.99

Cash Flow Summary

PARTICULARS (₹ IN CRORES)	FY19	FY20	FY21	FY22	FY23
Cash from Operating Activities	1.14	17.14	-0.56	16.44	34.97
Cash from Investing Activities	-6.12	-2.61	-1.32	3.11	-1.53
Cash from Financing Activities	6.89	-16.79	4.05	-15.23	-26.04
Net Cash Flow	1.91	-2.26	2.17	4.31	7.40
Cash at the Beginning of Year	1.63	3.54	1.28	3.46	7.77
Cash at the End of Year	3.54	1.28	3.46	7.77	15.17

Market Statistics

SHAREHOLDING PATTERN



Shareholding data as of 31st March 2023

Current Market Price	₹162.7
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52 Week High/Low	₹206.6 / ₹81.7
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Market Capitalization	₹223 Crore
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Shares Outstanding	1.37 Crore
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BSE Scrip Code	540393
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Market price data as of 26th May 2023



Get in touch

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SAFE HARBOR

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