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# Q4FY23 Earnings Presentation

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**SARTHAK METALS LIMITED**

Modern metallurgical solutions for fine tuning steel

# 01

## Q4FY23 Result Summary



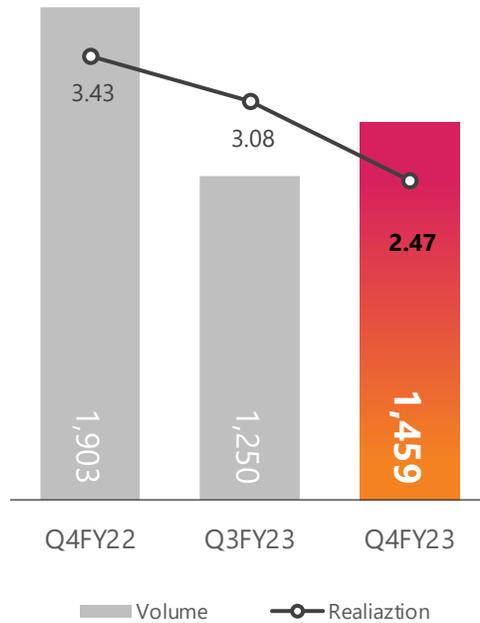
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# Q4FY23

## Operational Highlights

### Cored Wire Volumes & Realizations

(IN TONNES & ₹LAKH/TONNE)



**36 Crore**

Revenue

**-23%**

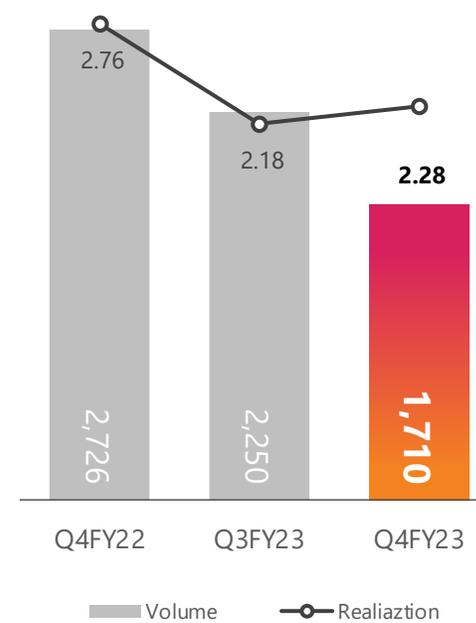
Increase in Volume (YoY)

**-28%**

Decrease in Realizations (YoY)

### Aluminium Flipping Coil Volumes & Realizations

(IN TONNES & ₹LAKH/TONNE)



**39 Crore**

Revenue

**-37%**

Decrease in Volume (YoY)

**-17%**

Decrease in Realizations (YoY)

# Q4FY23

## P&L Summary

<b>PARTICULARS</b> (₹ IN CRORES)	<b>Q4FY23</b>	<b>Q3FY23</b>	<b>Q4FY22</b>	<b>YoY % Change</b>	<b>QoQ % Change</b>
<b>Revenue from Operations</b>	<b>80.82</b>	<b>92.56</b>	<b>147.25</b>	<b>-45%</b>	<b>-13%</b>
Total Income	81.45	93.32	147.65	-45%	-13%
Operating Expenses	71.73	80.96	134.57	-47%	-11%
<b>EBITDA (Excluding OI &amp; EI)</b>	<b>9.09</b>	<b>11.61</b>	<b>12.68</b>	<b>-28%</b>	<b>-22%</b>
<b>EBITDA %</b>	<b>11.2%</b>	<b>12.5%</b>	<b>8.6%</b>	<b>+263 BPS</b>	<b>-130 BPS</b>
Finance Cost	0.20	0.25	1.09	-82%	-19%
Depreciation & Ammortization	0.44	0.47	0.46	-5%	-6%
PBT	7.82	10.13	10.72	-27%	-23%
<b>PAT</b>	<b>5.78</b>	<b>7.55</b>	<b>8.08</b>	<b>-28%</b>	<b>-23%</b>
EPS (₹)	4.23	5.51	5.90	-28%	-23%

# Management Commentary

## Commenting on the Q4 & FY23 performance, Sanjay Shah, Executive Director, said:

*"We are pleased to announce that the Company has closed FY23 on a positive note, despite facing significant challenges in the external environment throughout the year. The announcement of Export Duty on the steel industry in May 2023 had a noticeable impact, as the industry took time to adapt to the new environment, drop in price realisations, etc. This, in turn, affected the ancillary suppliers as well. In response to these challenges, our focus during the year was to maximize the value-added products wherever possible, aiming to mitigate the impact of lower volumes and lower average realization. We are pleased to report that this strategy worked well for us, particularly in Q2 and Q3 of the year, thus we have been able to clock higher margins and absolute profitability despite lower sales in FY23.*

*However, Q4 witnessed slower off-take due to some clients undergoing maintenance shutdowns at their plants, resulting in lower volumes for us. Despite these temporary setbacks, we remain optimistic about the future and are confident of getting back on our growth path. Looking ahead, we anticipate the realization levels to stabilize and expect a gradual pick-up in demand for our products. To offset the current situation, we are actively exploring export markets for product categories such as Aluminium Flipping Coils.*

*Our clients, who are among the largest steel players in India, continue to expand their capacities thus promising a good outlook for metallurgical solution providers & industry.*

*Furthermore, in order to accelerate our growth trajectory, we have decided to enter an adjacent product category - Flux Cored Wires, which find applications in welding for commercial fabrication units. This category aligns perfectly with our technical expertise, and we are confident in our technological capabilities and product prowess to establish a footing in this industry.*

*To initiate this venture, we will set up a pilot manufacturing line within our existing facility. We will scale up the facility based on the customer response and offtake. We believe that this import-dependent product category, which currently has limited to no capacities in India, has the potential to become a significant revenue stream for the Company.*

*In conclusion, despite the challenges faced in FY23, we remain optimistic about the prospects of the Company. Our strategic focus on value-added products, exploration of export markets, and expansion into adjacent product categories will position us well for growth and enable us to capitalize on emerging opportunities. We are committed to enhancing shareholder value and delivering sustainable long-term success."*

# 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

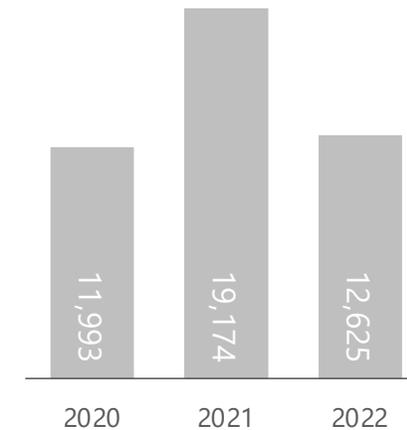
- Fabrication workshops
- Shipbuilding industry
- Construction activities
- Mechanical industries
- Usable on plain, carbon, alloy, stainless as well as duplex steel
- Used for hardfacing and surfacing



## Import Substitution Opportunity

INDIAN IMPORTS OF FLUX CORED WIRE

(IN MT)



(Source: Volza)

**~14,500 TPA**

3Y AVERAGE IMPORT QUANTITY

**600 TPA**

INITIAL CAPACITY ANNOUNCED BY SML

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# 01

## 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.



**05**

MANUFACTURING FACILITIES



**03**

GROUP ENTITIES



## SARTHAK METALS LIMITED



CORED WIRES & ALUMINUM FLIPPING COIL

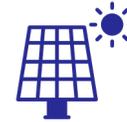
**10,000** TPA

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<sub>TPA</sub>

PRODUCTION CAPACITY FOR CORED WIRES



## 21%

REVENUE CAGR (FY19-23)



## 15,000<sub>TPA</sub>

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

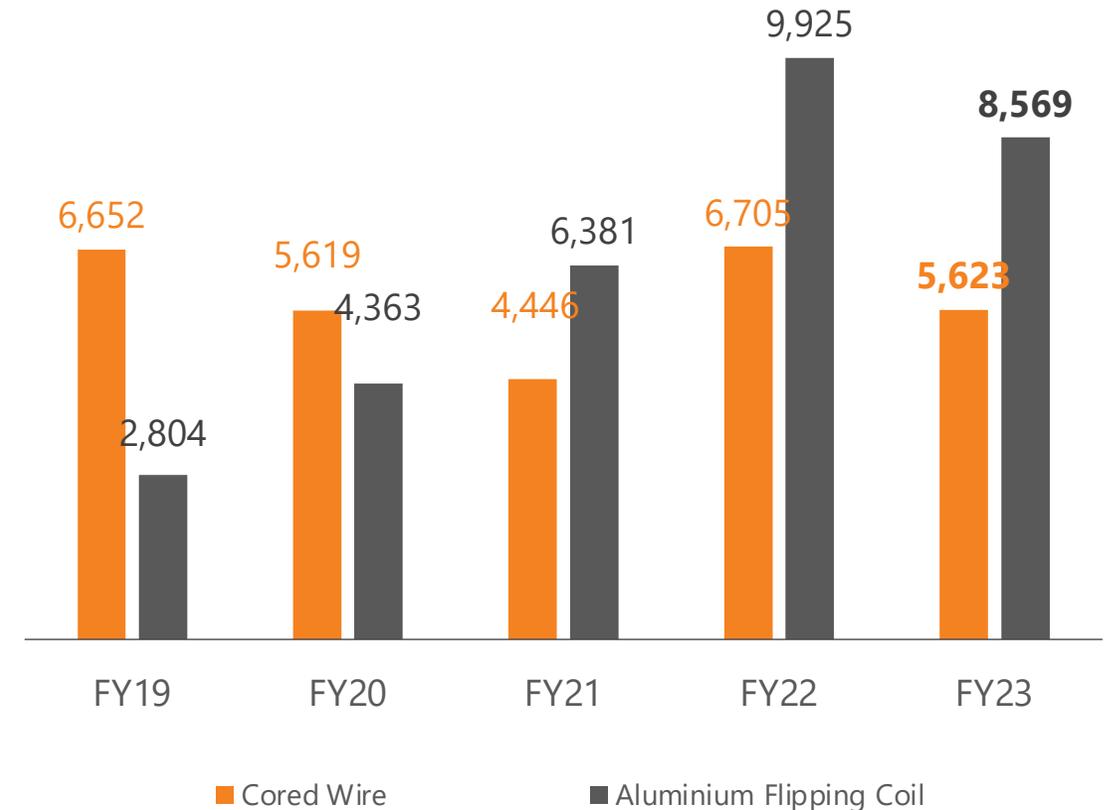
## Manufacturing Capacity (Double-shift)

**10,000** TPA  
CORED WIRES

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

## Production Trends

(IN TPA)



# Clients

## Domestic



## Exports

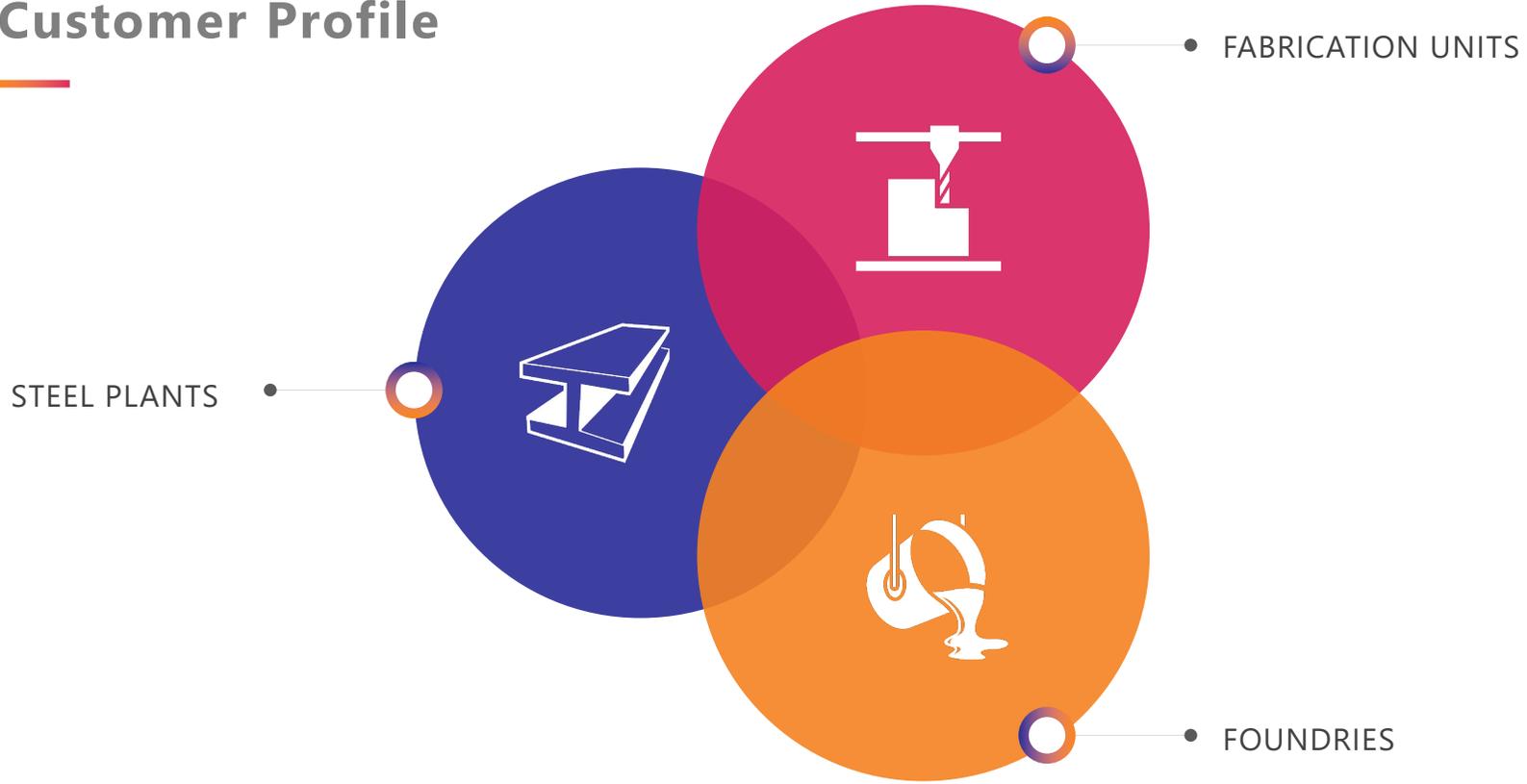


SHADEED IRON &  
STEEL CO. LLC



# 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

Ms 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 3<sup>rd</sup> 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
- 2<sup>nd</sup> 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

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

# 03

## FINANCIAL SUMMARY

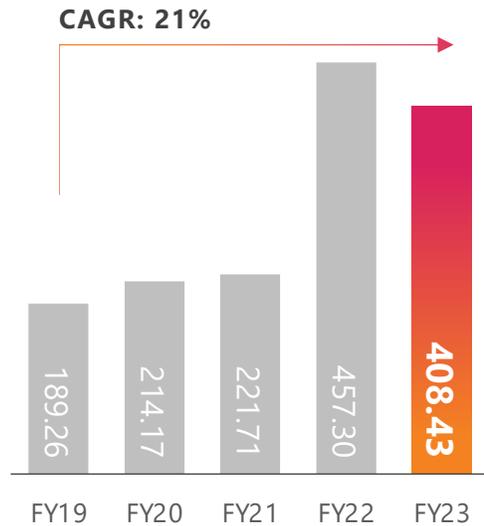


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# 5 Year Summary

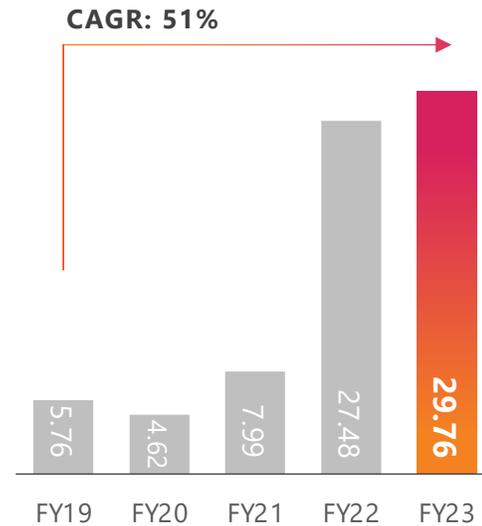
## Revenue from Operations

(₹ IN CRORES)



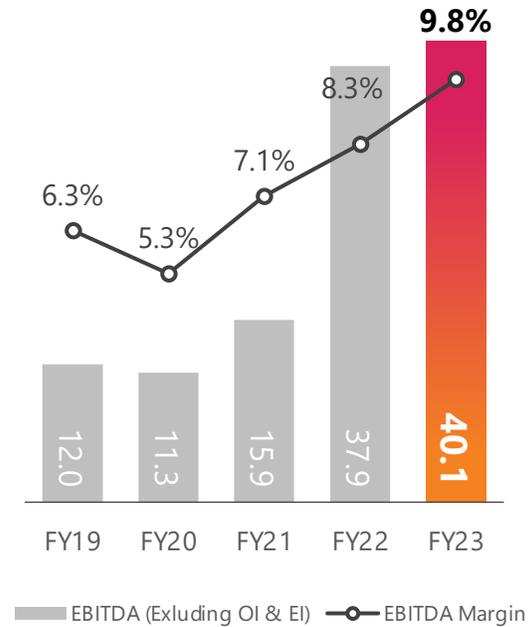
## Profit After Tax

(₹ IN CRORES)



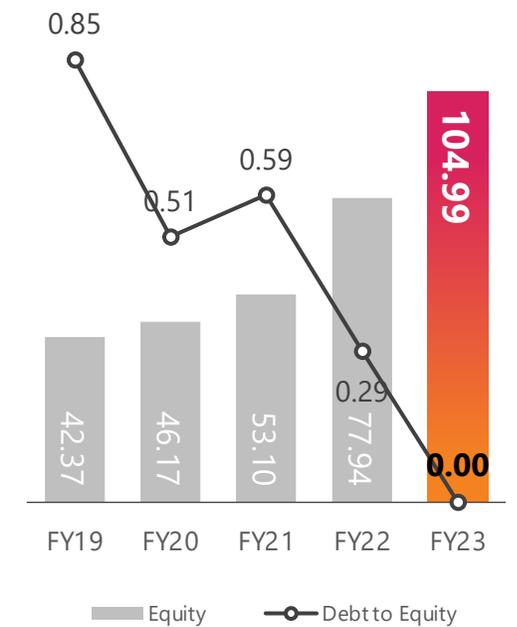
## EBITDA & EBITDA Margins

(₹ IN CRORES & IN %)



## Equity & Debt to Equity

(₹ IN CRORES & TIMES)



# P&L Summary

<b>PARTICULARS</b> (₹ IN CRORES)	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Revenue from Operations</b>	<b>189.26</b>	<b>214.17</b>	<b>221.71</b>	<b>457.30</b>	<b>408.43</b>
Total Income	190.83	215.26	222.08	458.26	412.23
Operating Expenses	177.27	202.92	205.86	419.39	368.34
<b>EBITDA (Excluding OI &amp; EI)</b>	<b>11.99</b>	<b>11.25</b>	<b>15.85</b>	<b>37.91</b>	<b>40.09</b>
<b>EBITDA %</b>	<b>6.3%</b>	<b>5.3%</b>	<b>7.1%</b>	<b>8.3%</b>	<b>9.8%</b>
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
<b>PAT</b>	<b>5.76</b>	<b>4.62</b>	<b>7.99</b>	<b>27.48</b>	<b>29.76</b>
EPS (₹)	4.21	3.38	5.78	20.03	21.74

**CAGR**  
(FY18-22)

Revenue  
**21%**

EBITDA  
**35%**

PAT  
**51%**

# Balance Sheet Summary

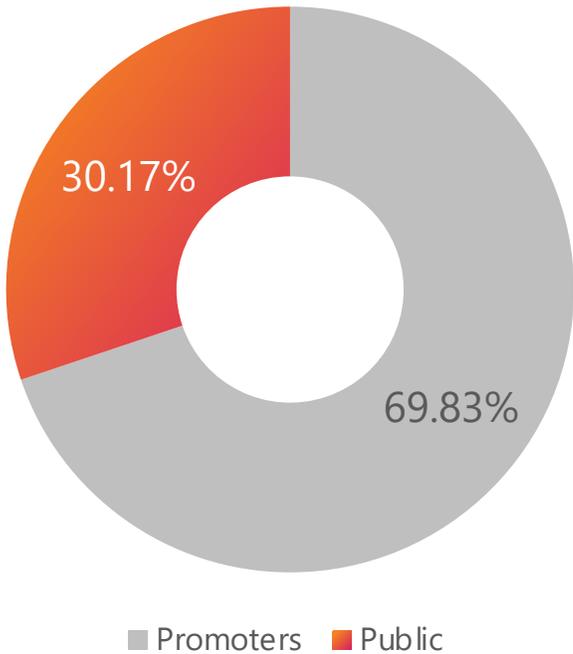
<b>PARTICULARS</b> (₹ IN CRORES)	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Shareholders' Funds</b>	<b>42.37</b>	<b>46.17</b>	<b>53.10</b>	<b>77.94</b>	<b>104.99</b>
Non-Current Liabilities	3.25	2.38	5.31	3.44	0.96
Long Term Borrowings	2.75	1.61	4.41	2.58	0.00
Current Liabilities	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
<b>Total Equity and Liabilities</b>	<b>83.84</b>	<b>76.26</b>	<b>91.25</b>	<b>116.08</b>	<b>109.99</b>
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
<b>Total Assets</b>	<b>83.84</b>	<b>76.26</b>	<b>91.25</b>	<b>116.08</b>	<b>109.99</b>

# Cash Flow Summary

<b>PARTICULARS</b> (₹ IN CRORES)	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Cash from Operating Activities</b>	<b>1.14</b>	<b>17.14</b>	<b>-0.56</b>	<b>16.44</b>	<b>34.97</b>
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 31<sup>st</sup> March 2023

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



# Get in touch

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## SAFE HARBOR

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