SARTHAK
An ISO 9001 : 2008 Certified Co.
CIN-L51102CT1995PLC009772

SARTHAK METALS LIMITED
(Formerly : Sarthak Metals Marketing Private Limited)

Date: 10/02/2025

To, **The Manager,** **Listing & Compliance,** **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai - 400 001.** **Ref: Scrip Code - 540393**	**To,** **Listing Department,** **National Stock Exchange of India Limited,** **C-1, G-Block, Bandra-Kurla Complex** **Bandra (E), Mumbai – 400 051** **Ref: Scrip Symbol - SMLT**

Subject: FAQ's for Investors Relating to Q3 FY 2024 - 25 RESULTS

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith FAQ's for the Investors Relating to Q3 FY 2024-25 results of the Company. The said FAQ's 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 Digitally signed by PRATIK JAIN Date: 2025.02.10 18:39:46 +05'30'

Pratik Jain
Company Secretary and Compliance Officer

Encl. as above.

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Investor Update: Addressing Key Questions

Q1. What is the macroeconomic outlook for your steel-linked business?
Our core business, which includes cored wire and aluminium flipping coil, is fundamentally strong but cyclical, as it is closely tied to India's economic growth. Slower GDP growth—projected at 6.4% in FY25, the lowest in four years—impacts steel production and, consequently, our sales.

Additionally, steel imports from China have reached a seven-year high in Apr-Dec 2024, reducing the market share of domestic steelmakers. Combined with capacity expansion across the industry, capacity utilization is expected to drop to a four-year low of 78% in FY25 (as per ICRA).

Global trade policies, such as protectionist measures from Trump 2.0, could further influence this dynamic. Without strong trade protection measures, cheaper imports will likely persist, affecting the steel industry and allied businesses like ours.

However, there is a silver lining. Since October 2024, we have observed strong signs of a trend reversal in our core steel business. Both cored wire and welding consumables have been recording robust volumes, a trend that has continued into January 2025. We expect this positive momentum to persist as we anticipate that the steel downcycle, which began in 2022, is nearing its conclusion.

In parallel, India's trade dynamics have exhibited notable shifts in recent months, reflecting both resilience and emerging challenges. Notably, there has been an uptick in cargo handling at major ports and a significant jump in iron ore imports. Moreover, Budget 2025's allocation of INR 11.2 lakh crore for Capex, marking a 10% increase from the previous fiscal year, is expected to stimulate infrastructure development, thereby driving domestic steel demand.

Q2. Can you summarize the financial performance for Q3FY25?
Our Q3FY25 revenue was approximately INR 44 crore; down 4% on a q-o-q basis. On a y-o-y basis revenue was down 42% from INR 75 crore in the previous year. This decline is due to our strategic decision to temporarily exit the unprofitable aluminium flipping coil business.

Cored wire revenue were INR 31 crore during the quarter, while aluminium flipping coil revenue was INR 9 crore.

Our EBITDA (excluding Other income and Extraordinary income) was Rs 2.1 cr in Q3FY25 – up 6% on a q-o-q basis on the back of savings in material cost. EBITDA margins were at 4.7% in Q3FY25 – showing fourth quarter of consecutive improvement emphasizing our great cost control measures. EBITDA margins a quarter before was at 4.2%.

Profit After Tax (PAT) were up 48% to INR 1.2 crore in Q3FY25 on the back of savings in material costs as well as that of taxes. On a y-o-y basis, PAT was down 29% due to fall in revenue and scale of our business. Despite these challenges, our debt-free balance sheet, with a cash position of INR 27 crore, provides ample financial flexibility for future investments.

Q3. How is the cored wire business performing?
The cored wire business showed resilience, with Q3FY25 revenue growing 11% year-on-year to INR 31.0 crore even when realizations were down 4% to INR 2.55 lakh per metric tonne (MT). In Q3FY25, volumes rose 15% year-on-year to 1,216 tonnes but were 2% lower sequentially.

The business is showing strong signs of recovery, with improvements in volumes. Despite highly competitive environment, our technological edge and extensive experience have provided us with a significant advantage and we managed to increase our market share. We anticipate this volume momentum to persist, barring any unforeseen disruptions.

Q4. Can you provide details on the aluminium flipping coil business? Revenue from aluminium flipping coils fell 75% year-on-year to INR 9.0 crore in Q3FY25, with volumes declining 80% to 350 tonnes. However, price realizations have been improving consecutively over the past five quarters. In Q3FY25, price realization moved sharply q-o-q by 13% to INR 2.58 lakh per MT and 25% on a y-o-y basis.

The aluminium flipping coil business has started showing positive EBITDA in the domestic market, supported by local sourcing (we usually import aluminium scrap). We are scaling it up cautiously. However, high aluminium scrap prices and disrupted global supply chains have compressed margins across the industry. To protect profitability, we have scaled down operations instead of engaging in unprofitable price competition. Until prices normalize in the international market, we will avoid importing scrap.

We prioritize profitability and will exit businesses that do not add value.

Q6. How is the new welding consumables business progressing?

Our welding division demonstrated strong momentum, achieving revenues of INR 1.6 crore in Q3 FY25. Volumes grew by 15% quarter-on-quarter to 145 tonnes, with a price realization of INR 1.10 lakh per tonne.

We are expanding our distribution network and have a dedicated welding team in place. Currently, we sell 60 tonnes of flux-cored arc welding consumables per month, with plans to increase it to 100 tonnes in the next few months. We aim to achieve annual sales of INR 25 crore within two years.

With an annual production capacity of 2,500-3,000 tonnes, we are well-positioned in the rapidly growing INR 300 crore flux-cored wire market, which could reach INR 1,000 crore in 3–5 years.

We currently manufacture seven grades across three categories—carbon steel, stainless steel, and hardfacing. The Company has 'BIS certification' for its Flux Cored products.

Q7. What is the status of the biotech business? What is your competitive edge?
We have partnered with the Council of Scientific & Industrial Research (CSIR) to develop industrial bio-enzymes, securing access to microbial cultures for producing enzymes like cellulase, amylase, and glucoamylase. These enzymes enhance efficiency in bioethanol and biogas production.

Our exclusive partnership with CSIR gives us a competitive edge in developing sustainable enzyme technologies.

Q8. Have you identified the focus areas?

We are close to finalizing the biotech areas we plan to initially venture into, from among various possibilities. We see a significant opportunity in health & nutrition supplements. This market is still evolving in India, with strong growth potential when compared to the western world which in turn offers promising export business. Rising awareness and income stimulates human expenditure and better lifestyle.

Along with that, a state of the art fermentation facility offers a lot of flexibility, including CDMO (Contract, Development and Manufacturing Organization) business which holds a lot of potential.

We will be planning a 100% compliant facility with a lot of value addition and end-to-end support to our customers which will offer us many opportunities.

Q9. When will biotech revenues start?
We are targeting industrial enzymes for distilleries, focusing on cellulose degradation for bioethanol production. While the market is competitive, government support for sustainability and export opportunities offer significant growth potential. We see this as a promising venture

with strong long-term prospects. It is challenging to establish a timeline for generating revenues, as the project is currently in the pilot phase.

Q10. How much capex has been allocated to biotech so far?
As of now, we have invested INR 50 lakh, primarily for a pilot R&D facility in Nagpur, including basic equipment and advisor salaries.

Q11. What is your long-term growth strategy?
To mitigate risks associated with our cyclical core business, we have adopted a diversification strategy. By entering new industries, geographies, and product lines, we aim to enhance stability and unlock new growth opportunities.

Our transition from a steel consumable supplier to a diversified player in flux-cored wire and biotechnology enables us to balance investment-driven and consumption-driven sectors. This dual focus positions us to derisk the business and deliver sustained growth in shareholder value.