Date: 18/08/2023

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**

Sub: Transcript of Earnings Call for Q1-FY 2023-24.

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015, please find attached herewith the transcript of the Earnings Call for Un-Audited Financial Results of the Company for the quarter ended June 30, 2023, held on Wednesday, August 16, 2023, at 12:00 noon.

The transcript is uploaded on the Company's website as well on below link:

http://www.sarthakmetals.com/investors-earningscall.aspx?mpgid=24

The above is for your information and dissemination.

Thanking You,
Yours faithfully,
For, Sarthak Metals Limited

Pratik Jain
Digitally signed by Pratik Jain
Date: 2023.08.18 13:46:35 +05'30'

Pratik Jain
Company Secretary & Compliance Officer

Encl. as above.

"Sarthak Metals Limited Q1 FY24 Earnings Conference Call"

August 16, 2023

Call Duration	26 Mins.
Management (Host)	Mr. Sagar Shah, Vice President and Part of the Promoter Group
Participants	• Keshav Garg from Counter - Cyclical Investments PMS • Madhur Rathi - CCIPL • Manoj Jindal - Individual Investor • Ayush Agarwal - MAPL Value Investing Fund • Amit - Individual Investor • Naresh - SEBI Registered RA • Sanjay Kumar - ithought PMS • Jack Wilson – UMAX • John Smith – Alphastreet • Shaffin - Individual Investor • Keshav - RakSan Investors • Shubh - Neelakant Investments • Niraj Prasad - Motilal Oswal Financial Services Limited • Ramesh Vaity - Umax Solution • Shivraj Khanna - Habrok Capital

Moderator: Ladies and gentlemen, good day and welcome to Sarthak Metals Limited Q1 FY24 Earnings Conference Call.

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 '*' and '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sagar Shah from Sarthak Metals. Thank you and over to you, sir.

Sagar Shah: Hello, everyone and a very good afternoon. Thank you all for joining this call, firstly. I hope you all had a very good long weekend.

So, let me start by taking you through our performance and way forward.

We clocked the revenue of about 82 crores in Q1 in comparison to 81 crores in the previous quarter. Our net profit stood at 5.4 crores against 5.8 crores in the previous quarter. So, that is a muted performance overall when compared on quarter-on-quarter basis. When compared year-on-year basis, there is a decline in the revenue specifically that is a lot due to realizations coming down as well as the different challenges faced by the whole industry in terms of the weather and soft demand. Our volumes in cored wire took a hit due to a very sluggish international market.

We are happy to announce that we held a significant share of the local market in this low quarter as well. In the aluminium wire segment, we managed to push our material to our customers at better rates to move our inventory. Speaking of which if you have been following our company, then you might know how we managed to reduce our inventory towards lowest since COVID to take minimum hit from the falling prices. It might be interesting for you to note that we have been slowly adding to our stock since we firmly believe that the prices are at the bottom, but of course that is the bet we put with a very manageable amount of risk. Domestically, we are still held to be the market leaders in both our segments with a high rate of 85% of repetitive orders. Our quality and service has been remarkable and the inflow of repeated orders through our potential. We are certain that the right mix between global demand and local demand will bring prosperous inflow of orders to the company.

Our key steel making customers are highly optimistic and still constantly expanding their capacities, which puts us in a very exciting spot for the time ahead. Our export supplies are also poised to increase and we are constantly pivoting towards more lucrative areas. Looking forward, we are very optimistic with the resilient Indian economy and the leadership in the steel sector driven by the increasing infrastructure of our country. Indian Steel has its strong global demand as a well-recognized raw material for the entire value chain industries.

Apart from that, I am delighted to update you all about the flux cored wire segment which we are introducing now. The machinery is at our premises and under erection and we will be able to take trial production in the next month. We are all excited about the proposition this segment brings to our company. So, with that now, I would like to start the Q&A session. Thank you. Seema, can you take over for the question and answer session?

Moderator: We will now begin with the question-and-answer session. We take the first question from the line of Keshav Garg from Counter CyclicalPMS**.** Please go ahead, sir.

Keshav Garg: Sir, I am trying to understand in our cored wire segment, sir, our FY23 volume were significantly lower than FY19 volume. And sir, now again in the first quarter of this year, even on a lower base, we have still further decline. So, there is no way that in the first quarter of FY24, the steel production in India is less than the first quarter of FY19. Sir so, then how is it that our volumes are lower? Is it that we are losing market share?

Sagar Shah: Sir, we are certainly not losing the market share, Keshav sir. I truly appreciate your interest in the company. We are certainly not losing any market share as you have been following the company in the past also you might know that we are very optimistic about it and we are very choosy about the orders that we take. The market currently is very greedy. After the huge up cycle that this industry saw and now at the down cycle the market gets greedy. And our competition gets greedy and that is where we stand out and we choose the orders that only we want to take to keep our profitability intact. Profitability is what matters to us than the volume to be very honest and there is no denying about it.

Keshav Garg: Sir, so what is the trend? Sir, you think that our volumes have finally bottomed out in the first quarter or you think this same trend is expected to continue worsen or improve?

Sagar Shah: Sir, it is definitely poised to improve. We are certain that the prices have come to the bottom and yes we all agree that it is a cyclical business it is very interesting to note that the upcycles are also faster and the downcycles are also faster. So, we are quite certain that it will change in the few quarters to come and the trend will again take an upturn because we are constantly in touch with our customers also, all the maintenance and all, all the ramping up of their work has been done in the first two quarters, in the first quarter specifically and now they are all again the demand is slowly seemed to be improved.

Keshav Garg: Sir and in your best judgment in FY24, what kind of volumes are you expecting in both our division?

Sagar Shah: Sir, approximately I am quite certain that we will be able to maintain the revenue of our last year. So, last year our revenue was around 400 crores and the realizations were also marginally more than what it is seen as in first quarter and the quarters to come. So, in that sense if you will see our market share is actually going up. So, we are quite confident that we will be able to maintain that revenue.

Keshav Garg: Sir, how many shifts are we working on currently?

Sagar Shah: Two shifts.

Keshav Garg: And Sir, can we go to three shifts provided demand is there?

Sagar Shah: Definitely, there is absolutely no problem in going to three shifts. We are that capable that we can ramp up our production in two shifts as well because we have machinery available with us and highly technical experts who are capable of building up machines in two or three months' notice.

Keshav Garg: Sir and also in the last year, sir, I think in the second or third quarter, sir, our volumes went down but we did some high margin, we sold some high margin products, some alloy products or something in which the realizations were really high. Sir, so, I mean how is it that after that quarter I think it was the second or third quarter of last year. So, is it not a recurring business?

Sagar Shah: No, it is recurring, but it just the grade of steel that our customers get an order off. So, it is all like they did use that high value product, they produce the steel, then it is all for export orders, it gets approved, it all goes under trial and then the repeated orders start coming in. So, it is a cycle that we have to be patient for.

Keshav Garg: This year, assuming that if it is a recurring business, then every year no matter which quarter at some quarter that kind of business should come to us. So, when are you expecting those kind of orders?

Sagar Shah: Probably in the second half of this year.

Moderator: Thank you. We will take the next question from the line of Madhur Rathi from CCIPL. Please go ahead, sir.

Madhur Rathi: Sir, what will be our steady state EBITDA margin going forward?

Sagar Shah: EBITDA margins are poised to remain same or definitely increase because we as a company are always targeting to keep our profitability intact. So, EBITDA margins are poised to remain same or increase. There is no way we are letting our EBITDA margins go down.

Madhur Rathi: Sir, if you would quantify like how much can we improve it going further? So, that would be very helpful.

Sagar Shah: Sir, EBITDA margins can go up like 2% or 3% more from here I feel.

Madhur Rathi: And new division of the flux-cored arc welding that we are starting. So, what kind of EBITDA margin do you expect from that and like we are the only one that is setting up plant in India. So, where does India import this requirement from and is this requirement cheaper from what will be producing? So, could you help me understand the economics of this, that will be very helpful.

Sagar Shah: So, let me firstly correct you by telling you that this product might be getting produced in India elsewhere but in this region where we are situated and I believe it is a highly prosperous location that we are at. So, at this part, we are the only manufacturers and we are surrounded by majority of big fabrication units. So, we are very optimistic about the industries that we are stepping up in and as the product was highly being imported from China. And as you know, China Plus One initiative by the government is like pushing the local manufacturing like anything. So, we are very certain that it will give us a good lead in the segment.

Madhur Rathi: And sir, what kind of EBITDA margins are you expecting from the same?

Sagar Shah: EBITDA margins can be like, I am not certain as of now because it is yet to start, but we are definitely expecting more than 10%.

Madhur Rathi: And there is a final question from my side, sir. We will be producing this in the region specifically. So, will our product be, the pricing will be similar to what China is producing or will have a China Plus One opportunity whereby the steel manufacturer or fabrication units will be sourcing from India that will help us. So, if you would explain that?

Sagar Shah: It will definitely be at par with the Chinese product costing. There is no way that the Indian manufacturing cost will be higher than the Chinese manufacturers. And yes, there is absolutely no fear from China that we are seeing as of now in the segment.

Madhur Rathi: Sir, final question, so the wire feeder segment that we have. So, what kind of revenue do we have in that segment and the margins and what will be our guidance going forward in that segment?

Sagar Shah: So, margins are good in that area of course because it is engineering. Margins are good, but the revenue, it is like very muted. It is around Rs. 1 crore, I would say. So, like 10%-12% to our total revenue on a quarterly basis. Sir, it is not a repetitive business actually. Now, there are a lot of expansions happening in the steel industry. So, there is a bit of demand for wire feeding machines. But once these wire feeding machines are gone and set up at the plant, the orders do not repeat themselves. So, yes, that is the thing.

Madhur Rathi: Okay, so 10% plus of our orderly revenue and it is not a recurring business?

Sagar Shah: No, it is not a recurring business.

Moderator: Thank you. We will take the next follow up question from the line of Mr. Keshav Garg. Please go ahead, sir.

Keshav Garg: Sir, since we are catering only to the steel industry. Sir, is there any opportunity in the other metallurgical industries in terms of supplying consumable like let us say, aluminum, copper smelters, etc.?

Sagar Shah: Keshav sir, there definitely is a lot of opportunity I would say. So, there is a lot of like possibilities. I would not say I would not call it opportunities I would call it possibilities. But as a team of young entrepreneurs, one being myself, we are more focused on areas of high margins now. All these sectors where metal commodities are going as consumables were this sort of taking a back step from there. We are not very keen on taking that path. We want to add more value chain in our business and all the aluminum studies that we are doing are being done in, like downstream processes. It can be the packaging industry, it can be automotive industry but everything needs to be niche. We do not want to get into the rush where everyone is providing the consumer bills.

Keshav Garg: And sir what kind of CAPEX are we looking at for this and next year?

Sagar Shah: CAPEX can be agreed like you can expect the CAPEX of around 10 crores to 15 crores for sure.

Keshav Garg: This year and next year also same?

Sagar Shah: Yes, same.

Moderator: Thank you. Sagar sir, would you like to continue?

Sagar Shah: Sure. So, we are seeing sense of like less participants this time because maybe it is because of the long weekend that we had and today is also Parsi New Year. So, it is a holiday for some areas in India. So, I would just like to share about our company and the management. We are very certain, we are very optimistic about the Indian economy. I will talk about myself over here more because I am certainly looking forward for India to become a leader in all of segments. So, it can be steel, it can be chemical. I am highly interested in the chemical segment as well. This is just for the information of our investors. We are constantly in touch with the steel industry as well because we have a great platform with them and we are looking with them what kind of chemicals do they require and what we can produce here to increase our product portfolio. Apart from that we are just focused towards consumer needs. So, there is a chance that in the coming future we might diversify ourselves in consumable chemicals as well. I think I had mentioned chemical industry in my last call also and this call also, I am highly positive on that side in India's story. So, let us see what comes ahead.

Moderator: We take the next question from the line of Manoj Jindal, an Individual Investor. Please go ahead.

Manoj Jindal: Just wanted a little brief on the flux cored wire segment. Wanted to know what sort of pricing part do we enjoy, like what is the competitive scenario right now in India apart from China, which you already mentioned. And what sort of pricing power once we venture into this segment would we enjoy here?

Sagar Shah: Good afternoon, sir. As we have studied before venturing into this segment is what we learned actually was that the concentration was a little more on the western side of the country and they were also just traders of this product. They did not have a very strong manufacturing background as we have and we always take pride on our team. Our team is like strong and diversified and young. So, we have the strength to move into the market and make our product work. So, it is a service-oriented business and this product is technical, it will help save a huge chunk of bucks for our customers, which are the big fabrication unit. And I feel we are at a very, very good location providing this product needs to go only to the customers who are affiliated partners of with the construction firms and big engineering firms. So, we are certain that like this product will be a very good, this production make headlines for us one day.

Moderator: Thank you, sir. We take the next question from the line of Madhur Rathi from CCIPL. Please go ahead, sir.

Madhur Rathi: Sir, what will be our current capacity utilization?

Sagar Shah: In which segment, sir?

Madhur Rathi: Like combined and if you could give it segment wise, it would be very helpful.

Sagar Shah: Sir, aluminum until last year, we were running at a 100% capacity and then we added another furnace to ramp up our production capacity by 50% more. So, today, I would say in a downcycle, since we have increased by 50% so now we are around 75% and in the cored wire segments, we are running around 60% of our capacity.

Madhur Rathi: Sir our ferroalloy segment, do we cater to mostly the Indian markets or do we export our products?

Sagar Shah: Sir, we are more concentrated in the local market because Indian steel, like it is on a boom and we are already the second largest manufacturers of steel. So, we are concentrated on the local market, but we are also recognized in the global market.

Madhur Rathi: Okay and sir, what will be our capacity utilization in that segment?

Sagar Shah: In the ferroalloy segment, 100%.

Moderator: Thank you. We take the next follow-up question from the line of Mr. Keshav Garg. Please go ahead, sir.

Keshav Garg: Sir, our promoter shareholding is declining from around 70.39% to 69.61%, even last quarter it declined sir, so what is the reason for the change?

Sagar Shah: Promoters holding, Keshav sir, can I get back to you on it? I really need to check on it.

Keshav Garg: Sure, sir and sir you also mentioned in the answer to the previous question that we have a ferroalloy division also sir. I understand that two years back we had sold that division to some group company. So, sir, now we still have a ferroalloy division?

Sagar Shah: Sir, we do have a ferroalloy division in the DB Group that we fall under. We have a sister company, Bansal Brothers. We are doing ferro titanium over there and it is running in 100% capacity.

Keshav Garg: Okay, so it is not part of this company, right?

Sagar Shah: It is not part of the company, no.

Keshav Garg: Hopefully sir, we have seen the worst and sir, is it correct to assume that from second quarter onwards, we might see some kind of revival in our topline and EBITDA?

Sagar Shah: I am very hopeful, Keshav sir and as I mentioned that we also are taking a little bit and we have started increasing our inventories because we feel these are some very attractive prices to hold some capacity that we are capable of. So, yes, fingers crossed, let us see the time is looking positive from now onwards.

Moderator: Thank you, sir. As there are no further questions, I would now like to hand the conference over to Mr. Sagar Shah for closing comments.

Sagar Shah: Alright, thank you everyone who joined this call and to our investors for showing trust in the company. I hope I was able to deliver the best of responses to all your queries and I will see you again after the next results. I am going to continue doing these conference calls. So, thank you and have a nice week, all of you.

Moderator: Thank you. On behalf of Sarthak Metals, that concludes this conference. Thank you for joining us and you may now disconnect your lines.