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<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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Sub: Transcript of Earnings Call for Q1 FY 2024-25.

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find attached herewith the transcript of the Earnings Call on Un-Audited Financial Results of the Company for the quarter ended June 30, 2024, held on 02nd September, 2024 (Monday) at 03:00 P.M. (IST).

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

<http://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
Company Secretary & Compliance Officer

Encl. as above.

Sarthak Metals Ltd (SMLT)

Q1 2025 Earnings Conference Call

September 02, 2024 • 03:00 pm (IST)

Final Transcript

Corporate Participants

Sagar Shah

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Conference Call Participants

Radhakrishnan Chonat

Director of Business | AlphaStreet

Ajay Krishnan

Analyst | Money Memo

Keshav Garg

Analyst | Counter Cyclical Investments
Private Limited

Presentation



Radhakrishnan Chonat

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q1 FY '24-'25 Earnings Call of Sarthak Metals Limited hosted by AlphaStreet. This is Radhakrishnan Chonat from AlphaStreet and it's a pleasure to host Sarthak Metals Limited for their quarterly earnings results conference call. From the management, we have Mr. Sagar Shah, Vice President and also part of the Promoter Group. Now as a reminder, today's call is being recorded. For professional investors, we are live-streaming this audio along with the live-streamed AI generated transcript on our platform alphastreet.com. A replay audio of this call will be made available on [alphastreet](http://alphastreet.com) as well as on AlphaStreet's India YouTube channel. A final transcript will be made available shortly afterwards on alphastreet.com.

Now before we begin, let me read the following forward-looking statements and disclaimers. Certain matters discussed in this call may contain statements regarding the company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political, or economic developments, technological risks, and many other factors that could cause the actual results to differ materially from those contemplated by the relevant forward-looking statements. The company will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

With that, may I now request Mr. Sagar Shah to take you through the presentation. Post that, we can start with the Q&A session. Over to you, Mr. Sagar.



Sagar Shah

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Good afternoon, everyone. Thank you. Radhakrishnan, and thanks to all for joining us today to discuss our financial performance for the June quarter of the fiscal year 2024 to 2025. My name is Sagar Shah and I'm part of the company's second generation promoters. I'll start with an overview of our core business, historically the backbone of our company. Our core products, one is cored wire and the other one is aluminum flipping coils, are closely tied to steel manufacturing as you all

know. While fundamentally strong, our core business is cyclical. It's directly linked to India's economic growth. When the economy slows down, so does steel production impacting our sales. However, the good news is that India's economy has been robust, growing over 7% for three consecutive years, driven by infrastructure and housing. The steel industry has seen its fastest growth since the global financial crisis.

Unfortunately, steel imports have been a challenge for Indian steelmakers. With slowing economies in China and other major steel consuming nations, steel trade has shifted towards India. Consequently, cheap steel imports have surged since financial year 2023 turning India into a net importer. Indian steelmakers have raised concerns about unfairly priced imports from countries like Vietnam. The government has responded by initiating an anti-dumping probe on hot-rolled flat products from Vietnam. So, our government has always been focused on Indian manufacturing, which is a good news for us. Now, the company is going through a strategic transformation. To mitigate risks associated with our cyclical core business, we have had embarked on a diversification strategy. By expanding into new industries, geographies, and product lines; we aim to enhance stability and unlock fresh growth opportunities.

We're transitioning from a pure play steel consumable supplier to a diversified player with exposure to flux cored wire and biotechnology. Two years ago we faced a critical decision, remain tied to the steel sector's volatility or build a more resilient business. We identified a significant opportunity in the flux cored wire market, driven by India's focus on domestic manufacturing and supply chain resilience. This product finds application across various sectors of fabrication like railway, construction, and even shipbuilding. We've tripled our flux cored wire production capacity to approximately 3,000 tonnes annually with potential to reach 5,000 tonnes annually. This positions us well in a rapidly growing INR300 crore worth of market size of flux cored wire market with the potential to expand to INR1,000 crore in the next three to five years.

To further strengthen our position, we're developing two additional SKUs and have a road map to introduce seven, eight products tailored to different applications. In 2024, we expanded into the promising biotechnology sector following extensive research. A dedicated pilot plant facility in Nagpur has been set up, as you all know, and we are having active discussions on implementing a pilot plant facility here itself. We've identified a substantial opportunity in industrial enzymes and allied healthcare, nutrition, and dietary supplements. This market largely is evolving in India with significant growth potential driven by government support for sustainability. Additionally, the healthcare area and biotechnology products have extensive applications and the global enzyme market offers immense export possibilities.

Our goal is to establish a technology driven division that becomes a core growth driver for Sarthak

Metals. Notably, these new businesses offer high EBITDA margins compared to our core operations. While early days for our biotechnology venture, industry benchmarks suggest margins in the range of 30%. We expect these new businesses to insulate us from economic fluctuations. Interestingly, the government, the cabinet, has very recently approved a Bio E3 policy, which also suggests the government's focus on biotechnology sector, which is very underpenetrated in India today. While our core operations are investment driven, the biotechnology sector is consumption driven. By leveraging dual aspects of Indian economy, we aim to derisk our business and deliver sustained growth in shareholder value.

As we continue to innovate and expand, our commitment to diversification will remain a cornerstone of our strategy. While we recognize that these new ventures require time to fully mature, we are confident in their long-term potential to make substantial contributions to our overall performance.

Now let's discuss our financial results for the quarter one. Our revenue for the June quarter was INR40 crores approximately, a significant decrease from the previous year's INR81 crores. This decline is entirely attributable to our strategic decision to temporarily exit the unprofitable aluminum flipping coil business. While cored wire revenues remain steady at around INR25 crores, the aluminum flipping coil business dropped from INR52 crores to INR8.5 crores. Raw material prices for aluminum scrap have surged compressing margins.

Additionally, Kenya's ban on scrap exports has disrupted the global supply chain. Not just Kenya, it is a universal global problem that the industry is facing right now and there is complete shortage of aluminum scrap available. To mitigate these challenges, we've temporarily scaled back the aluminum business and maintained low inventory levels. Consequently, our profit after tax fell from INR5.4 crore in the previous year's quarter to INR1.4 crore this quarter. We anticipate market conditions to improve, though the exact timeline remains uncertain. Despite these challenges, our balance sheet remains very strong with a debt-free position and net cash of INR30 crore providing ample financial flexibility for future investments. The overall outlook of Indian steel industry is undergoing a transformative phase. Capacity expansions has been rapid across various customers of ours with 26 million tonnes commissioned since financial year 2021 and another 27 million tonnes expected by financial year 2027.

This year alone, a record 15.6 million tonnes of new capacity will come online. Per capita steel consumption is rising, but India still lags behind developed nations. With a growing population and increasing urbanization, domestic demand is expected to surge. Moreover, our government's initiatives to keep spending, to keep increasing their capex also fuels the demand for steel. While the industry is expanding, it also faces significant sustainability challenges. The Europe Union's

carbon border adjustment mechanism and Germany's low emission steel standard will introduce new hurdles for steelmakers -- for Indian steelmakers. To address these challenges, the Indian government has initiated the green steel and hydrogen missions. The steel industry is actively adopting greener practices to reduce emissions and meet sustainability goals.

By integrating greener practices into steel production processes, the industry can significantly contribute to a more sustainable future. The green initiatives of suppliers and vendors also play a crucial role in reducing carbon emissions and accelerating the adoption of low carbon technologies. Our company is committed to sustainability. By utilizing a high percentage of recycled and aluminum scrap and investing in renewable energy, we are reducing our carbon footprint. Our 400-kilowatt solar power plant generates a significant portion of our electricity needs contributing to cost savings and environmental benefits. Looking ahead, we are optimistic about our company's future. While the core business still remains cyclical, our diversification strategy positions us to weather market fluctuations. Our strong financial position and strategic focus will drive long term value creation for our shareholders.

This concludes my presentation. I'm now happy to answer any questions you may have. Please, we can open the floor for question and answers.

Questions and Answers



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Sagar. We'll now move into our question-and-answer session. Today, we have participants joining via the webinar platform and also via our telecalling platform. Now for those participants who have joined us and connected us through the webinar platform, you can post your questions directly to me on the chat box and we can ask the questions on your behalf. Now if you wish to ask a question directly, please use the raise hand functionality.

I'll take the first few questions from the chat box as well as questions we have received via email as well as through the alphastreet.com platform and then we'll open it up for participants to ask questions directly. As a reminder, once again, please use the raise hand functionality if you would want to ask a question directly to Sagar. With that, I'll start with the questions we have received via chat and email first.

The first question is, what factors contributed to the 50.35% year-over-year decline in Q1 FY revenue, particularly in cored wire and aluminum segments, and what steps are you taking to boost revenues moving forward?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

So as I mentioned in my opening remarks also, it is -- majorly it is attributed to the aluminum segment itself. And steps that we are taking, also I have mentioned a lot of times and also in my opening remarks, again, we are constantly eyeing to diversify. We are trying to build a more resilient business, which can become our headlines in the coming years, and our core business still remains intact with us. The market dynamics can change with metals anytime and we're just already in a great spot. When the time turns around for aluminum, we'll be here to supply that.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Sagar. There's a follow-up question. Now despite the revenue drop, you reduced your total expenses by 46.99%. What cost control strategies were effective and how sustainable are these cost savings?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

So as a company and us as management, we've always focused on controlling our expenses; be it the electricity saving venture that we did into solar power grid that we applied in the factory or by reducing the scrap -- by reducing our inventory, which always has affected us in the past also. So where expenses also go hand in hand with revenue. So our revenue has dropped, naturally we didn't hold a lot of aluminum in inventory and that helped us to control our expenses and these are sustainable because we have been doing it in the past and we will continue to do it.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you. Sagar. One more follow-up question from the same chat box. What were the key factors behind the 73% decline in net profit and EPS and how do you plan to enhance profitability in the coming quarters?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

RC, the questions are repeating. I've mentioned it earlier also that profit definitely declined because our revenue also declined. We stepped out of aluminum supplies due to the challenges that the industry is facing. Again, we as management, we are never focused on the topline. We are always more focused on the bottom line and the business that does not contribute in value to us, we always try to step out of it. And what was the follow-up question to that?



Radhakrishnan Chonat
Director of Business | AlphaStreet

And how do you plan to navigate to enhance the profitability?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

Enhancing profitability, again It will be interesting to see how our cored wired business will start generating more profits as we have stepped out of aluminum, which was not contributing to our bottom line. And again our flux cored wire is performing really well and definitely at par or even more than we expected. So, flux cored wire will start contributing to the bottom line and we are confident of moving ahead that we will be able to enhance our profitability.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Sagar. We have a few questions from one Mr. Rahul Bhansali. I'll go one by one. First question is what is the overall market size of the cored wires industry and what is our market share? And who are our biggest competitors in this segment?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

So historically, Sarthak Metals has been -- has held a significant share of the cored wire business segment. It's approximately INR500 crores market size for cored wires and we have been managed to control at least 20% safely with us. And what was the other part of the question? Aluminum.

Aluminum is another market in steel industry, it has to be around INR1,000 crores. Now again, historically if we see, we have been able to deliver a good market share for aluminum, but due to the certain circumstances and the challenges that the industry right now is facing, we've stepped out.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you. Sagar. The follow-up question from Rahul Bhansali is, is there any substitute product for the cored wire segment? What are the biggest risks for the segment besides cyclicity?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

Nothing because the cored wire has been a technology evolved product already and we don't see any substitution coming for cored wires because the steel industry do require homogeneous mixing of these different special grid alloys and cored wire is the best technology available for it.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Sagar. The last question from Rahul Bhansali is, how much money have you spent on the biotechnology segment and what is the planned capex for the segment over the next two years? And what's the rationale for starting this segment and what's our competitive edge in this new vertical?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

Okay. So, I'll take one by one. So firstly, the expenses that we've had till now in the biotechnology sector is not significant. We've spent around INR20 lakhs to INR25 odd lakhs in it majorly for the R&D facility that is built up in Nagpur having very basic equipments and a few salaries of our advisors who are helping us with that venture. What was the second part of the question?



Radhakrishnan Chonat
Director of Business | AlphaStreet

The competitive edge that we have?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Competitive edge is that the products that we are eyeing at to produce have intense and varied applications, which intrigued us and the areas that the products are applied to are really futuristic. One is healthcare, definitely I'm personally very bullish on healthcare. Secondly, biofuels and ethanol sector is one area which excites us the most seeing our government's initiatives for making India energy self-reliant. The alternate energies area is expanding like anything and biotechnology has a vast application in the process of making ethanol and even biogas, which also I see is having a lot of traction now. So, these are some areas that we looked upon and we found application of these products in these areas and then we managed to get our competition in this area, which was very limited and that helped us with the confidence to get into it.

And the competitive edge that we hold is, our exclusive partnership with the government of India, with CSIR, NIST Laboratories, who have extensive research on these products and we are in very close knit with them and we are confident of a very beneficial partnership with them.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Sagar. We have a few questions directly. Those who have raised hand we'll take and then we'll come back to the chat questions if we have any. So let's start with Ajay Krishnan from the Money Memo. Operator, can you please allow him to ask a question?

**Ajay Krishnan**

Analyst | Money Memo

Hello. Can you hear me now?

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Yes, Ajay. Go ahead.

**Ajay Krishnan**

Analyst | Money Memo

Hi. Thank you. I just want to understand, why biotech, since your core efficiency has always been in metals and as part of the Desraj Bansal. Group, you've also been doing pretty well in energy sector. But what really prompted you to get into the biotech sector? Because it's pretty baffling for a company of this kind of pedigree getting into something like biotech. So would be really grateful if you could clarify on that.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Sure. So, I would be the best person to answer that question because I'm personally heading the biotechnology division. So firstly, we were really keen on diversifying our business. When I joined work, it was back in 2018, I gave a good amount of time to the core business that we're holding; and then we all as management, as a team, we all were very keen on diversifying. I was always on the lookout for new projects and it was -- the biotechnology division, what it offers is first, it offers us a technological edge. Wherever technology is highly applied, that area is poised for a resilient growth. Okay. Then second, it's applications. We always -- we were looking for some products that has application in different industries so that it can protect us from -- being from the cyclical business, we always wanted something which is more resilient.

Third, how it fits in our family business tree is because since we've always been into consumables, we've always been into ingredients. First we started with steel consumables, then we ventured into flux cored wire which is a fabrication ingredient, and then when we found -- when I started researching about biotechnology, I kept finding the right people, the right market for it, and we've already established a few market fit products. It also fits to our family -- business tree by being consumables. These are again ingredients which go into product making. So, all these factors contributed us to gain confidence that we can go into it -- into this venture.

**Ajay Krishnan**

Analyst | Money Memo

Okay. Can I ask a follow-up question?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Sure. Please go ahead.

**Ajay Krishnan**

Analyst | Money Memo

Right. So, is this just going to be a diversification strategy or is it going to be a pivot completely from your existing business? And if so, how should a research analyst evaluate your business? Because for example for a steel company, your PE ratio is definitely within the range. But if you're going to be a biotech company in the future, then definitely there will be rerating of the PE in the future, right? So, that's the reason why I'm asking the question. So, is that going to be a pivot altogether or just a diversified vertical? Thank you.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

It's too soon to call it pivot. It is definitely diversification as of today because our core business still stays close to heart. We're not being emotional about it, but we still hold a very good position in the market. So our core business has to be our core business and we have no intentions for leaving it behind for anything new. But going ahead, if biotechnology explodes within that path and if everything tick marks all the boxes that we require, we might also look into completely pivoting towards making biotechnology our core business. But as of now, it's too soon and our metal area has also added flux cored wire division. So it's all working well right now and we're giving our time to this venture, which holds a lot of potential. So, that would be an appropriate approach to it right now.

**Ajay Krishnan**

Analyst | Money Memo

Understood. And who would be your top customer segments? If you can give some guidance on that and that'd be it from my side. Thank you.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

For biotech?

**Ajay Krishnan**

Analyst | Money Memo

Yes, that's right.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

So for biotech, we're majorly -- today if you ask me, we're majorly eyeing to all the distilleries who are making ethanol and alcohol for the consumers. Second, we're also in touch with a lot of biogas manufacturers, which are big plants like Reliance is into it, Adani is into it. We're already in touch with a lot of clients who are into expanding and making big investments in the biogas sector. Then water treatment is another area that we're looking closely at. And fourth, I would say is the food processing. Food processing as in the pharmaceutical, nutraceutical. These are a few areas that we're highly interested in and we're rapidly finding product -- market fit products for these industries.

**Ajay Krishnan**

Analyst | Money Memo

Understood. Thank you, Sagar, and good luck.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Thank you.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Ajay, for your questions. Next in line we have Keshav Garg from Counter Cyclical Investments Private Limited. Keshav, please go ahead and ask your question.



Keshav Garg
Analyst | Counter Cyclical Investments Private Limited

Thank you very much. Sagar, I want to understand that earlier you used to mention that we used to have 30% market share in our core business of cored wires. Now you mention that you are holding on to 20% market share. So, does that mean we have lost significant market share?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

There is growing competition, no doubt about it, and we always believe in doing fair and ethical business. We have lost a bit of market share with the newcomers, which I've always mentioned in the past is not sustainable because the newcomers don't really know how these steel manufacturers need service, first. And secondly, when the -- this is the time of a downcycle for the steel industry. The steel manufacturers are not facing any surge in their manufacturing or they are not under any kind of pressure right now. They are only focusing in expanding. Once the upcycle again starts, these new players who have tried and sort of gotten successful with taking away a bit of our market share, they all will collapse and they don't hold the right strategy to treat these players.



Keshav Garg
Analyst | Counter Cyclical Investments Private Limited

So Sagar, also if we see your presentation Page Number 21, so it shows our production. So the cored wire production in FY '20 versus FY '24, basically the production itself has declined by 20%. And in first quarter I'm assuming it must have fallen further. So basically and if we see over the past -- over four years, Indian steel production would have been up something like 25%, 30%. Right? So that being the case, so how do you basically reconcile our drop in production with the rising Indian steel production?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

It is -- see, it is again cyclical. When you see FY '20 production for cored wires and then you see the FY '22 production for cored wires, there is a significant jump in that also. And when the next upcycle of steel manufacturing comes, we are quite confident that we'll show another benchmark of cored wires production. And as you said that over these years, the steel production also might have compounded at any certain rate. That is correct. But the new players and the new addition that comes into steel making is also like in a controlled fashion. A lot of times the furnaces that are built up -- new furnaces that are built up don't hold the capacity for them to feed cored wires into it. They can start off with using lumps if they don't require cored wire specifically, if the ladles are not big enough. So, we'll see how this event turns out to be. But the expansions that our customers are going on with, they look very promising.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

So, Sagar, basically I mean it's an easily substitutable product and I mean the price is the main determinant. There is nothing else and that is how for any newcomer can get entry and take market from established players. So, is that understanding correct?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

No, absolutely not. I've always mentioned, this statement to be applicable more on aluminum, but not on cored wires because cored wires hold a lot of technical edge and they require a certain mix of ferro alloys and a certain service which not everyone holds. We've been in this business since the last two decades. We know how steel plants are to be managed and how the time will turn around because it's been happening since so many years now. I am new -- I may be new in the business, but our first generation have been seeing these trends play out over two decades now. So we're quite stable at our spot because we know the right time will again come.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

No, that's fine. I mean, I'm sure we are in a cyclical downcycle and better times will come. That is one thing. But I mean if our volumes have fallen by a third in two years, whereas steel volumes in the country have gone up, which means that basically new players have come and they have taken the market, right? So that means that it is substitutable product. But in any case, Sagar, I don't want to stress on that. Now coming to the aluminum flipping coil, you mentioned in the third quarter call of last year that this division will start doing well once aluminum prices pick up. Right? And now when the aluminum prices have picked up, now I think we have got a problem in that situation also. So I mean what exactly do we need for this division to do well?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

We ourselves are quite like out of answers on that area because the aluminum sector has been very painful and it's really very difficult to judge how the things will turn out. But if you ask me personally, I'm quite bearish on aluminum because the challenges look like they're going to stick around because the availability of raw material is a big concern and because of that, the prices of scrap and the prices of finished goods and primary aluminum are so comparable like the difference between the scrap and primary aluminum has become such a small difference that it is just impossible and very difficult for us to keep hitting over the same problem again and again. And that's why we've made this call of stepping out for a bit from the market.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

So Sagar, what would be the fixed cost in this aluminum division on a quarterly basis approximately?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Fixed cost quarterly basis should -- ballpark number is around INR20lakhs, INR25 lakhs expenses.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. So, not much. Now Sagar, you also mentioned in...

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

We are comfortable in that position also to mitigate these losses also. But just to -- just because we have a history in this business where we are known for our service, we would like to stick around more. We want to see how this turns out because we've seen metal businesses turn around like anything. Like one time it will be very bad and not recoverable and the other time it will be fully different from that. So, we're sticking around.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Right. Now Sagar, coming to the biotech foray, again you mentioned about INR100 crore capex in this division, which will yield a peak revenue of around INR350 crore with 30% gross margins. Now, Sagar, the thing is that we have around INR30 crore, INR35 crore cash.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Correct.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

So, now how will we fund this INR100 crore capex and by when will the capex need to be incurred?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

It is definitely a phase-wise influx of this capex, first. Second, we are in -- we have a healthy balance sheet of INR30 crores of free cash flow, which will be -- which is quite enough for us to kick start our business very comfortably with a very good facility, with a GMP kind of facility and that would just fuel the growth story of ours and we eye an investment of INR100 crores if everything goes according to the plan. The time frame you can expect is three to five years for the full capex to get incorporated.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Right. So initially in the phase one, you mentioned we are investing INR30 crores?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Yes, we will.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. And in how long like in FY '25 itself?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

I will need a little time -- a little more time to get clarity on that, but you will be intimated about the information.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. So basically and since the asset turnover is around 3 times to 3.5 times so with INR30 crore, we should do around INR90 crore, INR100 crore of revenue. Is that understanding correct?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Yes, it is.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. So Sagar, now...

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

And even the phase one will be done in stages. Like I'm really not looking forward to putting the whole INR30 crores of capex also at once. It will also be done in stages.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. So now, Sagar, as things stand today, now what is your -- in your best judgment now, do you think that things have bottomed out in our core business in the first quarter or is there more pain to go? Now especially this aluminum flipping coil division we are not talking about. We are only talking about the core business, right, cored wires. I mean even pre-COVID we used to do something like 5%, 6%, 7% margins and now the margins are like some 3%, 4%. So now going forward for this financial year, what is your expectation?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

For this financial, we will definitely be able to rise up back to the, as you mentioned, 5% to 7%, somewhere between 5% to 6% for cored wires. Because of our strategy of stepping out from aluminum, we're quite confident about achieving our margins back to that old phase.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. What kind of revenue are we looking at on a quarterly basis? Like we did INR40 crore in Q1, so going forward?

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

It should be sustained, yes. This amount should be sustained.

**Keshav Garg**

Analyst | Counter Cyclical Investments Private Limited

Okay. Sagar, best of luck. Thank you very much.

**Sagar Shah**

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Keshav. Ladies and gentlemen, if you would like to ask questions directly to the management, please use the raise hand functionality to let us know of your interest. We have a few more questions received from the chat window as well as from the emails and through our

platform.

Sagar, what sustainability initiatives are you implementing to reduce the environmental footprint, particularly in the energy efficiency and waste reduction?



Sagar Shah

Vice President and Part of The Promoter Group | Sarthak Metals Limited

So, both of which you very well know by now. One is the solar grid that we've set up in our plant, which is 400 kilowatt plant, so that gives us the energy like green energy that we require for our plant. And waste reduction also, we are managing quite a lot of aluminum scrap. We have been in the past, but not at the moment. But we have been processing approximately 400 tonnes to 500 tonnes of aluminum scrap in the past. So that is another initiative for us, which helps us reduce the environmental footprint. And the biggest of all is now the biotechnology sector, which is much of an environmental green sustainable initiative that we've gotten into.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Sagar. We have a chat question from Pranit Bhansali. Where do you see the company's topline and bottom line in the next two years, considering your expansion in the core business as well as biotechnology? He's asking for a percentage split, if possible.



Sagar Shah

Vice President and Part of The Promoter Group | Sarthak Metals Limited

So it is a bit difficult to answer to that question because -- like because of the cyclical nature of the core business, it is hard to say what's going to pan out in the next two years. Also the global uncertainties makes it even more difficult. But our target is to cross at least INR25 crores of turnover for the flux cored wire business in the next two years. And biotechnology, our -- biotechnology is a little bit of difficult -- it's a little difficult to say right now. Because if things start kicking off, it could even show more than like INR40 crores, INR50 crores of turnover in just two years. So, it's a little difficult for us to judge the revenue mix that biotechnology will bring into picture as of now.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Sagar. We have one more question from the chat. Do you have any new products in biotech or other segments planned for the next 12 to 18 months and what impact do you anticipate that will bring into your revenue mix?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

Definitely. So our core business does not have any upcoming new products. But flux cored wire, we have a lineup of two or more SKUs in a very -- in a short-term period. And long term, yes, we have a vision of making it a product portfolio of at least eight to 10 products. And now talking about biotechnology, we are -- our backbone in biotechnology is going to be fermentation and through fermentation, a lot of ingredients which are applied in different industries are supplied. So these ingredients, which I'm talking about, we've already identified four, five products in that area and we're actively looking for more. So, that's my answer to that.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Sagar. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions on the line or on the chat window. Again as a reminder, if you have any questions, please use the raise hand functionality or alternatively send us your questions on the chat window.

Okay. There's a follow up question from Pranit Bhansali via chat. So in that case, if there is no growth prospects anticipated by company, do you see any global pressures on the sector?



Sagar Shah
Vice President and Part of The Promoter Group | Sarthak Metals Limited

Good question, really hard to judge. We're all seeing what's happening around the world and it directly impacts economies of different worlds. In the past two, three years, as we all know, Indian steel has grown a lot with the vision to export a lot of steel. And we're not seeing a lot of grip from the countries outside India, be it Europe or even Middle East as a matter of fact. So these are

some challenges that might pop out, but let's see how it goes.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Sagar. Looks like we don't have any more questions. All right. Ladies and gentlemen, that's all the time we have allocated for today. Please do send in your follow-up questions by email to us and we'll follow up with Sagar and team at Sarthak Metals to get those answered for you.

Once again, thank you all for joining us for the Sarthak Metals Limited Q1 FY '24-'25 earnings call. Now as a reminder, today's call was recorded. A replay of this call will be available on AlphaStreet India's YouTube channel as well as alphastreet.com's platform. A final transcript will be made available shortly on alphastreet.com. Thank you, everyone, for joining the call today.



Sagar Shah

Vice President and Part of The Promoter Group | Sarthak Metals Limited

Thank you. Thank you, everyone. Bye bye.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Sagar.



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