

Date: 30/05/2025

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

**Sub: Transcript of Earnings Call for Q4 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 Audited Financial Results of the Company for the quarter and Year ended March 31, 2025, held on 28<sup>th</sup> May, 2025 (Wednesday) at 04:00 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 Limited**

Q4 FY25 Earnings Conference Call

Date – 28 May 2025    Time – 4:00 pm

Duration of call – 32:23 mins

## **Management Representation by:**

Mr. Sagar Shah – Vice President and Part of Promoter Group

**Moderator:**

Ladies and gentlemen, good afternoon and thank you for joining the Q4 FY 25 earnings call of Sarthak Metals Limited. I am Muthukumar representing Wisdom IR. It is my pleasure to introduce a key member of the company's leadership team, Mr. Sagar Shah, Vice President, and a valued member of the Promoter group.

Before we proceed, I would like to remind everyone that this call is being recorded. The audio-visual recording will be made available on the company's official website shortly. Additionally, a complete transcript of today's discussion will also be published on the website after the session ends. For this webinar, all participants will remain in listen only mode during the presentation. Once the management has concluded their remarks, we will open the floor for a Q&A session.

As we begin, I would like to highlight an important disclaimer. Some topics discussed in today's call may include forward looking statements about the company's market opportunities and business prospects. These statements involve risk and uncertainties and actual outcomes may differ significantly from those anticipated. The company assumes no obligation for actions taken based on such statements. With that said, I now hand over the proceedings to Mr. Sagar Shah of Sarthak Metals Limited. Over to you, Mr. Sagar.

**Sagar Shah:**

Good Evening, everyone. Thank you, Muthu, and thanks to all of you for being here today to discuss Sarthak Metal's financial performance for the fourth quarter of fiscal year 2024-25.

I'm Sagar Shah, part of the company's second-generation promoters.

Let me begin with a brief overview of our core business, which has historically been the backbone of Sarthak Metals.

Global trade uncertainties and unpredictable tariff policies have created challenges for many industries, including ours. While India's economic growth remains resilient, the slowdown does impact sectors like steel, which directly affects our sales.

Our core business of cored wire remains fundamentally strong, though it is closely tied to India's steel production trends. However, aluminium flipping coil business is facing major challenges with prices mismatch and unethical business environment. The rising imports and increased production capacity of steel units have put pressure on domestic manufacturers, leading to reduced market share and capacity utilization in the steel industry.

The company, as you know is actively participating in deleveraging its dependence on the steel sector with rapidly growing footmark in the welding industry with our new products in Flux Cored Wire Segment. I will share lot more details when we get to that section of my remarks.

Another exciting buildup within the company are the latest experiments with the biotechnology space. The sustainability and immense growth drivers it offers is beyond

measures. Progressive, Innovative and Technological powerhouse is what we call this venture. I will share the latest updates from this space when we get to that section.

We remain committed to navigating this challenging, yet evolving landscape by building on our strengths to ensure sustainable growth. We are confident to deliver results with our long history of experience in building businesses and our solid executional force is at display again.

## **NAVIGATE TO SLIDE 5 (OF PRESENTATION) – CORE OPERATIONAL HIGHLIGHTS**

A positive trend is emerging in our industry.

During 2021-2023, the steel consumables market faced intense price competition, with new entrants offering low-cost but substandard products. Manufacturing cored wire is a highly specialized process requiring precision, consistency, and uniform density—attributes that many of these competitors failed to deliver.

While this influx of lower-quality products initially impacted our volumes, we remained steadfast in our commitment to quality and innovation. By late 2024, steel manufacturers began returning to trusted partners like us, recognizing the long-term value of reliable, high-quality solutions.

With over 20 years of expertise, we are now witnessing a strong recovery in trust and dependence of our clients on us, reinforcing our leadership in prioritizing quality and service.

Specifically, in Q4FY25, our cored wire business demonstrated robust growth, with revenue rising 26% year-on-year to ₹36.5 crore and realizations increasing by 3% to ₹2.62 lakh per metric tonne. Strong volume growth of 16% helped in posting a strong revenue growth for the quarter on a year-on-year basis.

Turning to our aluminium flipping coil business, revenue declined by 80% year-on-year in Q4FY25 to ₹6.4 crore, with volumes falling 84% to 253 tonnes.

This business showed signs of positive EBITDA in the domestic market, only due to sharp increase in Aluminium prices due to tariff tensions. Having said that, as soon as the prices stabilise, the price disparity is again reflected with scrap prices unrealistically high and competitors offering substandard qualities at a cheap price. While we are scaling cautiously, global supply chain disruptions and low-grade business environment have significantly compressed margins across the industry.

Rather than engaging in unprofitable price competition, we've chosen to scale down operations to protect profitability. Our focus remains on value creation, and we will exit businesses that do not align with this principle.

We expect greater clarity on the aluminium business outlook by the end of June 2025, and we remain committed to making strategic decisions in the best interest of our long-term growth.

## **NAVIGATE TO SLIDE 6 (P&L)**

Our revenue for the quarter stood at approximately ₹48 crore, reflecting a growth of 9% on a quarter-on-quarter basis. However, on a year-on-year basis, revenue was down 32% compared to ₹70 crore in the same period last year. This decline is attributable to our strategic decision to temporarily exit the unprofitable aluminium flipping coil business.

Our EBITDA, excluding other income and extraordinary items, stood at ₹1.36 crore for Q4FY25, a decline of 48% year-on-year. Consequently, EBITDA margins for the quarter were at 2.84%, compared to 4.67% in the preceding quarter.

Profit After Tax (PAT) for the quarter was ₹0.67 crore, representing a 61% decline year-on-year. This reduction was largely due to the fall in revenue and the scale of our operations.

Despite these challenges, I am proud to emphasize that we maintain a robust financial position with a debt-free balance sheet and a cash reserve of approximately ₹29 crore. This financial flexibility positions us well to navigate current challenges and seize future growth opportunities.

### **NAVIGATE TO SLIDE 9 (WELDING BUSINESS)**

So this slide showcases our new venture in the Flux Cored Wire segment. Today, I'm excited to share updates on our growing welding business, which is rapidly gaining traction and becoming a key contributor to our future growth.

In Q4 FY25, our welding division achieved revenues of ₹2.4 crore, with volumes growing an impressive 39% quarter-on-quarter to 201 tonnes. Our price realization stood at ₹1.18 lakh per tonne. Currently, we are selling approximately 70 tonnes of flux-cored arc welding consumables every month, and we have plans to scale this to 100 tonnes in the coming months. With this momentum, we aim to achieve annual sales of ₹25 crore within the next two years.

We have currently 3 lines with a total capacity of 250 MTs per month. Enough room for growth.

A significant milestone for us was the recent approval from the Research Designs and Standards Organisation (RDSO) in April. As the technical advisor and consultant to Indian Railways, RDSO sets stringent standards and specifications for railway equipment. Securing this approval not only opens up exciting opportunities with Indian Railways but also positions us favourably as we engage with major construction and engineering companies. We are actively working to obtain the necessary approvals and certifications to collaborate with these new partners. Likewise, we have added more credits to this segment with the shipping industry too recognising our product with IBR and IRS approvals. With Boiler inspectorate and the renowned Thermax also recognising our products as approved for making heat exchangers, we are now eyeing various industrial applications opening up.

Like, ship building, Railways, Oil & gas, Chemical, Heavy steel fabricators for infrastructure building like bridges telecom tower and other equipments. Even Steel authority, L&T now recognises our products for usage in building large furnaces and other uses. Additionally, our

flux-cored products hold 'BIS certification,' reflecting our unwavering commitment to quality and industry standards.

To support this growth, we have recently expanded our distribution network and established a dedicated welding team. Reorders from our active dealers have already started coming in, underscoring the positive response to our products.

Currently we are managing approx. 10 dealers across 5 states and we plan to expand this network rapidly.

Our product portfolio includes application via three categories—carbon steel, stainless steel, and hardfacing. I am proud to share, recently we have accomplished successful trials of 5 new products in carbon steel application and 2 new products in stainless steel application.

### **NAVIGATE TO SLIDE 10-11 BIOTECH**

So this slide showcases our latest venture into the biotechnology space. Our biotech business has achieved remarkable progress, marking a transformative step forward for our company.

The Solid State Fermentation (SSF) pilot facility, with a fermentation capacity of 14 kilograms in one batch, is now operational, and we successfully commenced the first production batch in May 2025. This milestone lays the groundwork for our ambitious expansion plans in the biotechnology sector.

A key element of our strategy is our partnership with the Council of Scientific & Industrial Research (CSIR), through which we are developing industrial bio-enzymes. This collaboration grants us access to specialized microbial cultures for producing enzymes such as cellulase and betaglucosidase, critical components in enhancing efficiency for bioethanol and biogas production. We are in continuous trials and development phase where our key focus is to achieve maximum quality at the maximum efficiency. We have already achieved 10 fold activity of the product from where we started only in a single digit per ML of product and we are confident to take this to another 10 fold activity. The fermentation cycle has been reduced from 6 days to now 4 days and we are looking at strategies to bring it down to 3 days. All of this has happened in one month.

So, in this slide (10) you can see there are 4 pictures, 2 pictures on the up shows the 2 Koji rooms where the fermentation activity takes place. The 2 pictures down; one is the harvesting room on the left and packing room on the right.

### **NAVIGATE TO SLIDE 11 BIOTECH**

Yes. So, this picture (of Slide 11) shows the outside structure of our 600 square feet facility. We've also strengthened our capabilities by onboarding an industry expert, whose initial assessment of our 600-square-foot production facility has been highly encouraging. His confidence in our ability to produce high-quality bio-enzymes is a testament to our robust infrastructure and innovative approach.

Our exclusive partnership with CSIR is a cornerstone of our strategy, positioning us as a leader in sustainable enzyme technologies. This collaboration underscores our commitment to innovation and eco-friendly solutions in an industry poised for exponential growth.

Notably, we are proud to be among the first companies in India, and the first in Nagpur, to make the pioneering transition from the metal industry to biotechnology. This shift not only reflects our vision for diversification but also demonstrates our adaptability in embracing opportunities in emerging industries.

To date, we have invested ₹50 lakh, primarily for establishing a pilot R&D facility in Nagpur. This includes essential equipment and salaries for our expert advisors.

With these advancements, we are charting a new path in biotechnology, one that promises both growth and sustainability for the future.

### **NAVIGATE TO SLIDE 31 GET IN TOUCH**

Looking ahead, we have taken deliberate steps to mitigate the risks associated with the cyclical nature of our core business through a comprehensive diversification strategy. By venturing into new industries, expanding into different geographies, and introducing varied product lines, we aim to achieve greater stability while unlocking new avenues for growth.

Our transition from being solely a steel consumable supplier to a diversified player encompassing flux-cored wire and biotechnology reflects our commitment to balancing investment-driven and consumption-driven sectors. This dual focus not only helps us manage risks effectively but also strengthens our ability to deliver sustained growth in shareholder value.

We remain optimistic about the company's future. While the core steel business will always be subject to cycles, our diversification efforts have strategically positioned us to navigate market fluctuations with resilience. Backed by a strong financial foundation and a clear strategic direction, we are confident in our ability to drive long-term value creation for all our shareholders.

Thank you, with that I will open the floor for the question and answers. Muthu, you can take over.

**Moderator:**

Thank you, Sagar. Hope I am audible.

**Sagar Shah:**

Yes.

**Moderator:**

So we will now commence the Q&A segment, for those who wish to ask a question directly,

please use the raise hand feature. To do so, click on the microphone icon in the participants list. Once unmuted, kindly introduce yourself before asking your question. To ensure everyone has a chance to participate, we request that you limit your interaction to 2 questions at the time. You are welcome to rejoin the queue for further questions if needed. Alternatively, you may submit your question in the chat box as well by typing the question. As a quick reminder, let me reiterate, you can use the Raise hand option. You will be unmuted and you will be able to ask the questions.

So let us get started.

As we wait for people to put in the questions, there are some questions that have come through email as well. I will pose that question to Sagar.

Sagar, the first question is **how is the new welding consumable business progressing from a perspective of revenues in FY 26 and beyond?**

**Sagar Shah:**

So as I mentioned in my opening presentation, we are quite confident in this space. We are already gaining a lot of traction and having said that, the new approvals that we have just received, we are hoping to gain a lot of traction in this space and this year should be exciting. And as we have set a target of ₹25 crore in 2 years, I think we are very comfortable in achieving that.

**Moderator:**

Yes, there is one question that has come on the chat box from Mr. Ajay. **What is the likely export demand scenario for cored wires in FY 26?** I am repeating what is the likely export demand scenario for cored wires in FY 26.

**Sagar Shah:**

The Middle Eastern countries, they do possess some level of inquiries. We do keep getting some level of inquiries. We are currently executing a few orders of export as well but having said that, we are always more focused on the local demand. India is the second largest steel producer and it just makes a lot of sense for us to be focused in the domestic market, but export always adds some more value and the pricing power is a little better when it comes to export, but there is also competition. So, we are very optimistic. We are optimistic with our products and with our quality. We do keep on getting repeated orders, but it's a wait and watch situation.

**Moderator:**

OK. So, to just reiterate, if somebody wants to ask participant want to ask a question, you can



use the raise hand feature, just click on the microphone icon in the participant list. So, once you are unmuted, you will be able to introduce yourself and ask the question.

So other question that has come up on the chat box is **when will the biotech revenue start coming in and what is your competitive edge in the biotech business?**

**Sagar Shah:**

So as I said again in my opening remarks, we are in a continuous R&D phase right now. We have built a 14 kg per batch capacity of space which we are standardizing and our target is to immediately take this 14 kgs to 50 kgs; and from those 50 kgs once we standardize the product and once we get the ideal activity of the product that is when I will be able to tell you the revenue scenario but we are confident with the amount of work that has been done in this one month, we are quite confident that I will be able to guide on revenues very soon.

**Sagar Shah:**

I just like to add something more on it. So, that space of biotechnology where fermentation where with we are undergoing fermentation technology, there is no guaranteed SOP even when we have had the technology transfer from the Government of India. It is an institution-based research report and the SOP that we have received from there, we have had to do a lot of amendments and tweaks and changes in that SOP as well to standardize our procedure depending on our environment and temperatures and humidity. So, what I am trying to tell you is there is no guaranteed SOP where we are in a continuous R&D phase and once, we manage to standardize the procedure and get a product that holds a good activity which can be used industrially that is when I will be able to guide which will be very soon.

**Moderator:**

One more question that has come up is **could you give us a perspective on the CapEx requirements for your various businesses over the next 2 to 3 years?**

**Sagar Shah:**

So, CapEx requirement for Flux Cored Wire, I would say where we are currently hosting 3 production lines and we plan to go ramp it up with 3 more productions lines in the new near future, which will approximately cost us ₹ 3 crore. Having said that, the infrastructure we built for the Flux Cored Wire segment is totally capable of handling more than 9 production lines.

So the infrastructure part is already done. We only need to invest in the production lines, which cost approximately ₹1 crore per line. So in the near future, 3 cr in the flux Cored Wire segment. And when I talk about biotechnology space, biotechnology space our pilot facility hosts some of the best preparation machines which are needed in a pilot facility and in a

scaled-up facility. So once our procedure is standardized that is when I will be able to guide on the CapEx required for the biotech space.

**Moderator:**

Few more minutes for participants to ask their question. For those who wish to ask a question directly, please use the raise hand feature. Just click on the microphone icon you see, once unmuted kindly introduce yourself before asking your question.

**Sagar Shah:**

I can see one more question,

**Moderator:**

question that has come up, yes, yes.

**Sagar Shah:**

Aman, can you, can you just.

**Moderator:**

**In which welding applications are your flux cored wires finding acceptance? Are they being used in several types of welding? How is the company generating incremental demand?** This question is from Mr. Aman I'm just repeating, In which welding applications are your flux cored wires finding acceptance? Are they being used in several types of welding? How is the company generating incremental demand?

**Sagar Shah:**

OK. So, hi Aman. Currently our products were widely being used in spaces where prefabrication structures were being made. Other than that, as I said in my opening remarks, we have very recently received a lot of approvals from the shipping industry, from the railway industry, from the Thermax who build boilers and heat exchangers and even from steel authority who keep requiring furnaces.

So, when we receive the approval from steel authorities so that simply means that all the fabrication industries that are supplying the furnaces to the steel industries are open to do business (with us). So, our application until now was very limited. But now the horizon has completely expanded and now we are looking at a lot of traction from flux cored wires

Are they being used in several types of welding? Yes, of course they are being used in several types. So, the different products that I just mentioned that we have finished trials of which so they are being used for different applications, one for different angles and different steels. Even stainless steel is being used in circular motion in 90-degree angles and all these technologies are in continuous building space. So flux cored wires are the latest technology in this space and how is the company generating incremental demand? I don't know what exactly you mean by that. Our only focus is to maintain the quality and get the appropriate approvals from different industries to generate the demand for us.

**Moderator:**

If you want to ask the question and clarify on the question which you have raised, you can do that directly with Sagar.

**Sagar Shah:**

Even maintaining the dealer's network is a new avenue for us. We have always been in the direct OEM space, but dealing with the dealers, maintaining our relationships with them have been exciting, and we have been managing it well. We are well positioned with continuous reorders from our existing dealers and we have a list of new dealers who we want to work with and some who want to work with us. So, it is an exciting space we are looking forward.

**Moderator:**

One last question from the email that has come is basically **do you expect the cored wired volumes to growth to continue in the year and the year beyond.**

**Sagar Shah:**

So all our customers in the steel sector that had been incurring a lot of huge Capexes, a lot of them have now come live. Having said that, we are not very sure if the steel companies in India have the right demand as of now even though their CapEx and the steel expansions have gone live, I don't see that rush in production as of now since we keep moving in the industry I keep travelling to our customers to maintain our relationships, I don't see a specific rush happening around them to increase their production as of now. It can change overnight; it can change overnight.

So, if steel production is moderate and not growing, I don't see our cored wires also doing too great -like a single digit growth is still expected due to the trust and the dependence that I mentioned, which is coming back to the existing players, the veteran players I see that happening now and which is why I can see a single digit growth in cored wires.

**Moderator:**

So we would wait for 2 more minutes for any questions that participant would like to address to the management.

Okay, with no further questions. Thank you, participants, everyone, for joining today's Q4 earnings call of Sarthak Metals Limited. Thank you, Sagar, for joining for this event.

**Sagar Shah:**

Thank you, Thank you so much Muthu.

**Moderator:**

and have a wonderful evening.

**Sagar Shah:**

All right, thank you. Bye, bye.

**Moderator:**

Bye bye.