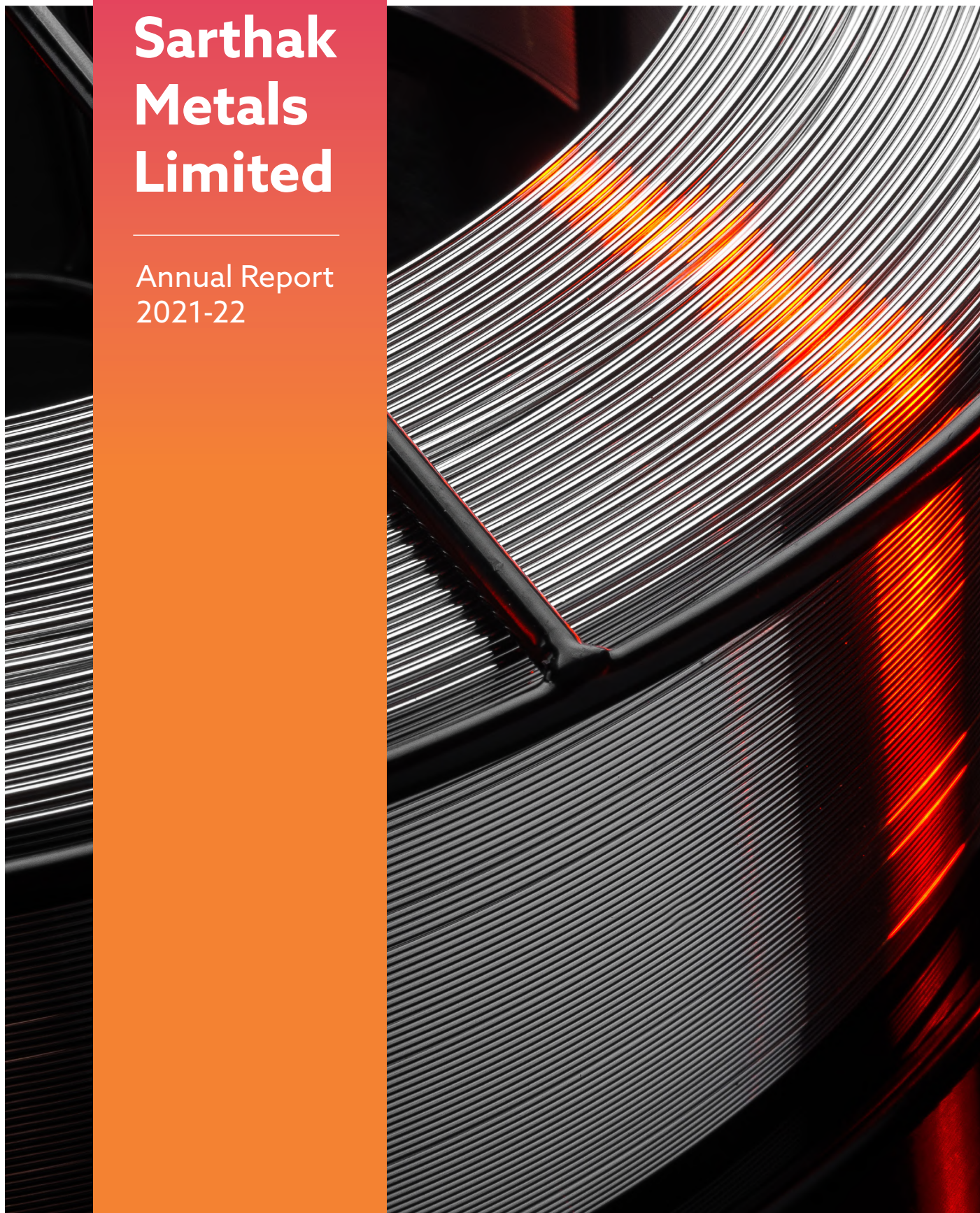




Sarthak Metals Limited

Annual Report
2021-22





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Safe Harbour Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and make informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The world of Sarthak Metals

Part of the Desraj Bansal Group, Sarthak Metals Limited ("Sarthak" or "The Company") is India's leading manufacturer and exporter of Cored Wires and Aluminium Flipping Coils. The Company is engaged in providing products and solutions that are targeted to attaining precision in metallurgy and fine-tuning of steel manufacturing. Headquartered in Bhilai, Chhattisgarh, the Company is strategically located in close proximity to a critical steel hub of India.

Sarthak's ISO 9001-2000 certified state-of-the-art manufacturing units enable it to lay focus on rigorous testing and inspection processes, thus ensuring the manufacturing of products that conform to the highest standards of accuracy, consistency and quality. Being an experienced and quality-conscious manufacturer, Sarthak is the preferred supplier of these products to some of India's largest steel giants.



Well-entrenched
Industry Positioning

Leading

India's leading metallurgical cored wire and aluminium flipping coil manufacturer

425+

Committed workforce

30+

Marquee clients, with some of India's largest steel players

Established Capacities

10,000 TPA

Production Capacity for Cored Wires

10,000 TPA

Production Capacity for Aluminium Flipping Coils

Best-in-class Execution

₹ 450+

crores
Sales turnover for FY22

28 %

Revenue from Operations CAGR
between FY18-22

55 %

Profit after Tax CAGR between FY18-22

Strong Parentage

Sarthak Metals Limited is part of the 25 year old Desraj Bansal Group ("DB Group" or "The Group") based out of Bhilai, Chhattisgarh. To cater to the growing metallurgical needs, the Group had its early foundation in the industry with the manufacturing of industrial oxygen and carbon dioxide. With time and through experience, it later ventured into modern metallurgical solutions such as Cored Wires first, and then went on to manufacture Aluminium Flipping Coils and wire feeder machines later. Housed under 3 group entities, the DB Group has 5 fully-functional state- of-the-art manufacturing facilities located

in Bhilai, Chhattisgarh. Today, the ₹ 650+ crores* DB Group is a leading business group with interests in the Metals and Energy sector. Over the last three decades, the Company's best-in-class quality products, reliable service and consistent delivery have enabled it to create a stellar reputation for itself in the metals & metallurgy industry. This has facilitated the Group to cater to some of the largest and most renowned players in India and abroad, thus adding to an enviable list of clientele.



₹ 650+ crore
Group Turnover in FY22

5
Manufacturing Facilities

3
Group Entities

Group Entities



Sarthak Metals
India's premier metallurgical cored wire and alumining flipping coil company



Sarthak Energy Private Limited
DB Group's energy arm, with 2 MW of renewable energy assets located at Bhilai



Bansal Brothers
DB Group's ferroalloys operations arm, with an installed capacity base of 6,000 TPA located at Bhilai

*Provisional figure

Key milestones

With a history of 25 years, Sarthak has a lot to reminisce over. From its formative years in the industry to becoming a listed entity on

the stock exchanges, Sarthak has truly evolved into a name that stands for quality and excellence in the field of metallurgy. It firmly

believes that its best years are ahead of it, and is therefore geared to take monumental strides in that direction.

Reported record growth in Revenue from Operations and crossed the ₹ 450+ crore topline benchmark

2022

Commenced production of Aluminium wire rods, adding backward integration for flipping coils, with the intention of significantly expanding operations in this segment

2018

Started manufacturing cored wire feeder machines that are used to unwind cored wire rolls into steel ladles

2012

The Company entered into manufacturing modern metallurgical solutions in the domain of wire injection technology i.e. Cored Wires, with its in-house designed and developed cored wire mill

2002

the stock exchanges, Sarthak has truly evolved into a name that stands for quality and excellence in the field of metallurgy. It firmly

believes that its best years are ahead of it, and is therefore geared to take monumental strides in that direction.

Reported record growth in Revenue from Operations and crossed the ₹ 450+ crore topline benchmark

Migrated from BSE SME exchange to BSE & NSE Mainboard Platforms on 23rd November 2021

Raised funds through its Initial Public Offer and got listed on BSE SME

In an effort to further strengthen its offerings, the Company commenced production of Aluminium Flipping Coils with its first in- house mill

Sarthak Metals commenced operations with an industrial gases unit, manufacturing industrial-grade oxygen and carbon dioxide, and catering to industrial units in its vicinity

1995

Modern metallurgical solutions for fine tuning steel

Sarthak is a specialist in providing modern metallurgical solutions that are actively used in fine-tuning steel manufacturing, and catering to critical functions such as introducing specific characteristics in steel-making such as de-oxidising, grain refining, nitride forming, and acting as an alloy for manufacturing different grades of steel. Having worked in this industry for nearly three decades, closely aligned with some of the most prominent players, the Company has an excellent understanding of quality requirements in this industry. The Company has two primary product categories, i.e. Cored Wires and Aluminium Flipping Coils. In addition, the Company also produces Cored Wire Feeder Machines.

16
Total SKU's

Premier
India's premier Cored Wire manufacturer



54 %
Revenue share from
Aluminium Flipping Coils in FY22



3 Decades

The Company has an excellent understanding of quality requirements in this industry



46 %
Revenue share from
Cored Wires in FY22



Cored Wires

An indispensable part of the metallurgical industry



Aluminium Flipping Coils

a more cost-effective and efficient way of using aluminium in metallurgical applications as compared to notch bars, ingots, shots and other forms



Cored Wires

About

Cored wires are continuous steel tubes that are filled with different alloys and injected into molten metal to introduce a variety of characteristics in the end product. The primary functions of these products are in steel refining, alloy addition, modification of inclusion, deoxidation, desulphurisation and dephosphorisation of the heat (molten metal). Cored Wires help maintain a high production speed and control the accuracy of the chemical elements in casting. They are the best available method of refining hot metal, maximising the recovery yield and purity of the molten metal.

Key Products Manufactured

Calcium Silicide, Calcium Iron, Calcium Aluminium Iron, Calcium Solid Wire, Lead Cored Wire, Ferro Titanium, Carbon, Ferro Boron, Magnesium Ferrosilicon, Nitride Manganese, Ferro Niobium

Wire Injection over Single-shot Addition

Cored Wires, deduced through wire injection technology, are a substitute for the single-shot addition method of adding alloys into molten metal for purification and recovery. In the older-generation single-shot addition, lumps of ferroalloys and minerals were dumped into the steel ladle, causing a significant disadvantage of settling said lumps at the bottom of the ladle before melting homogeneously into the heat/molten metal. The Cored Wires eliminate this disadvantage and help in uniform and homogeneous mixing of alloys in the ladle. Therefore, making it a more accurate and efficient process of adding chemical elements into the casting. Today, Cored Wires have become an indispensable part of the metallurgical industry.



Aluminium Flipping Coils

About

Aluminium is one of the strongest and most commonly used deoxidizers in the steel-making process. It is well known for its fast reaction and reasonably lower deoxidation cost. Aluminium Flipping Coils are primarily used in steel-manufacturing/metallurgical processes to de-oxidize the molten metal and act as an alloying element to manufacture specialised steel grades. The key application of Aluminium flipping coil in steel making is its use as a deoxidizer, grain refiner, nitride former and alloying agent in steel, for both flats and structures.

Its ability to scavenge nitrogen and promote the formation of "pancake" ferrite grains led to its widespread use in drawing quality steels, especially for automotive applications. Furthermore, aluminium improves strength in low-carbon steels by fixing the interstitial nitrogen. As a result, Aluminium Flipping

Coils are a more cost-effective and efficient way of using aluminium in metallurgical applications as compared to notch bars, ingots, shots and other forms.

Applications beyond metallurgy

Aluminium wire rods and coils have a wide range of applications beyond metallurgy, especially for electric-grade wire rods. These rods are used to make cables and wires to conduct electricity, which is extensively used by the State Electricity Boards, Power Distribution Companies and other power grids for electricity transmission. Even though the Company is only focused on the metallurgical applications of this product category currently, it is open to evaluating other applications beyond this category in the future.



Cored Wire Feeder Machines

Having established itself as a fully integrated organisation, Sarthak engages in delivering quality cored wire feeder machines. The Company offers a wide range of customised machines, with 2 and 4 strand options that can draw wires from 5 to 15 mm in diameter with a speed of up to 300 metres per minute. These Feeder Machines are designed to inject Cored Wires into molten steel for metallurgical process control.

Further, in keeping with the growing capacity additions of the Indian steel industry, the Company is pursuing a proactive go-to-market strategy to install its wire feeder machines at customer plants. This will allow us to be a one-stop solution for our client's needs and help generate consistent and repeat business for our core Cored Wires product category.

Serving steel industry leaders



Sarthak boasts of a strong clientele that includes India's leading steel players. Through sheer perseverance, the Company has come a long way to become the preferred supplier of all the top 5 steel giants in India. These relationships have been built over years of trust and quality delivery. Today, the Company has secured assured levels of business with each of these customers. Moreover, the Company is proudly associated with over 20 customers with whom it has shared a relationship of over a decade.

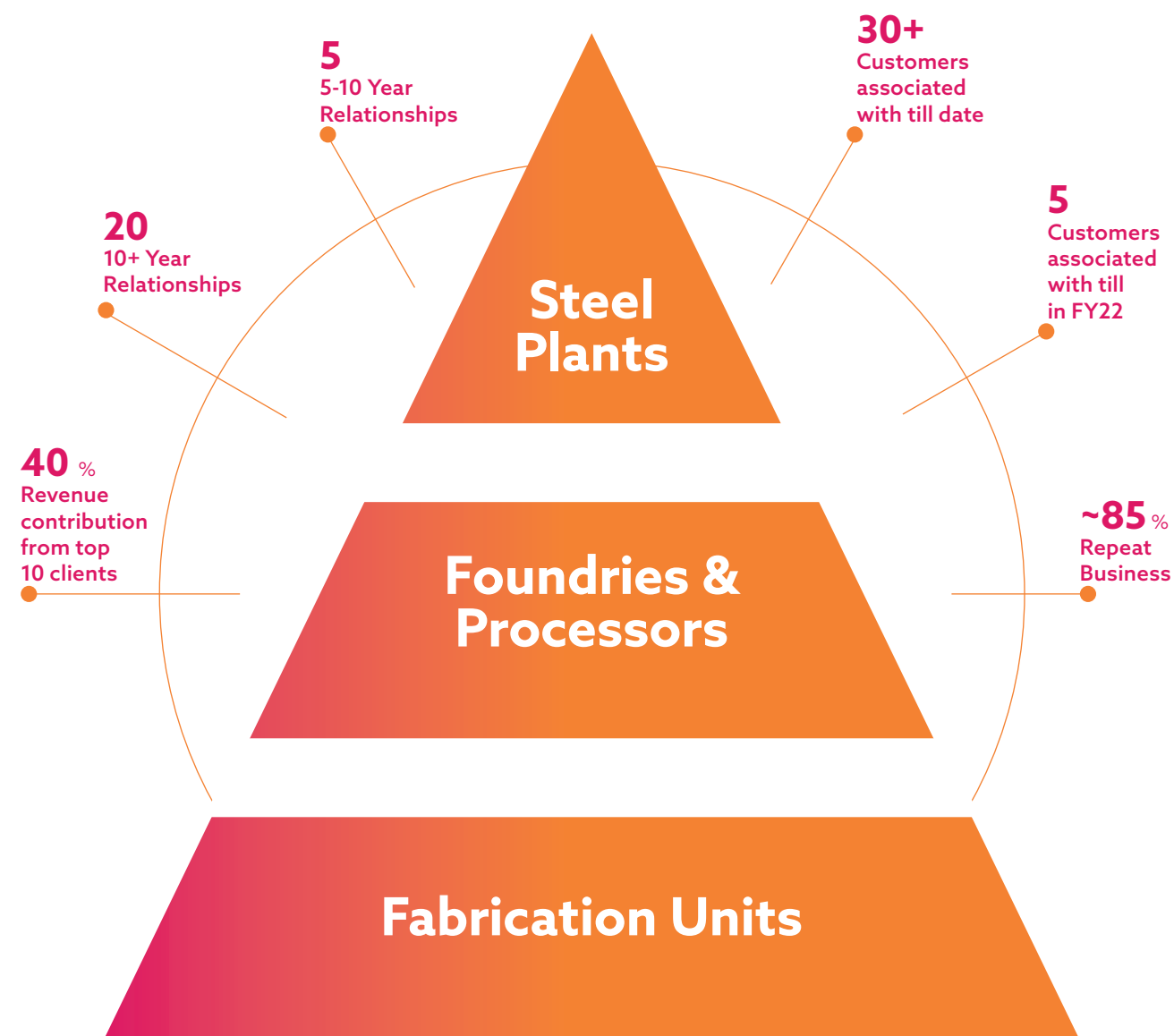
Adding to this is Sarthak's impeccable reputation of delivering on time, always. To date, it has a 100% track record of delivering on all its orders and not backing out on a single order, even through the most challenging times, such as the recent pandemic, where the industry

witnessed unprecedented volatility in commodity prices, and disruptions in supply-chain. The Company understands that quality and on-time delivery are the factors that will differentiate it from its peers. As a result, it has consistently generated repeat business from its customers, this year to the tune of 85%. Furthermore, the Company works closely with its customers and is directly engaged with them for all of their requirements.

Domestic Clients



Key Customer Segments



Export Clients



Assets that solidify our position

Focussed on quality and timely delivery, Sarthak’s manufacturing units are equipped with state-of-the-art technology, enabling it to cater to the diverse needs of its customers. In addition, the Company’s world-class manufacturing facilities, strategically located in proximity to its key customers, facilitate it to serve them at short notice. Currently, Sarthak operates 4 lines for manufacturing Cored Wires and 2 lines for Aluminium Flipping Coils.

Sarthak builds its own manufacturing lines attuned to the Company’s specific needs. Its in- house team and facilities help fabricate its own manufacturing lines, allowing a faster turnaround time for capacity additions. Sarthak’s experienced R&D team supports these facilities, who not only develop value-added products for the customers but also create new industrial processes and optimise existing ones to reduce costs while improving quality.



- 2
Manufacturing facilities located in Bhilai, Chattisgarh
- 4
Manufacturing lines for Cored Wires
- 2
Manufacturing lines for Aluminium Flipping Coils
- ~5,40,000 SQFT
Plant area
- 45 %
Unused land available for future expansion
- 5
R&D team members

Manufacturing Capacities



10,000^{TPA}

Current Production Capacity

~12,500^{TPA}

Post Expansion Production Capacity



10,000^{TPA}

Current Production Capacity

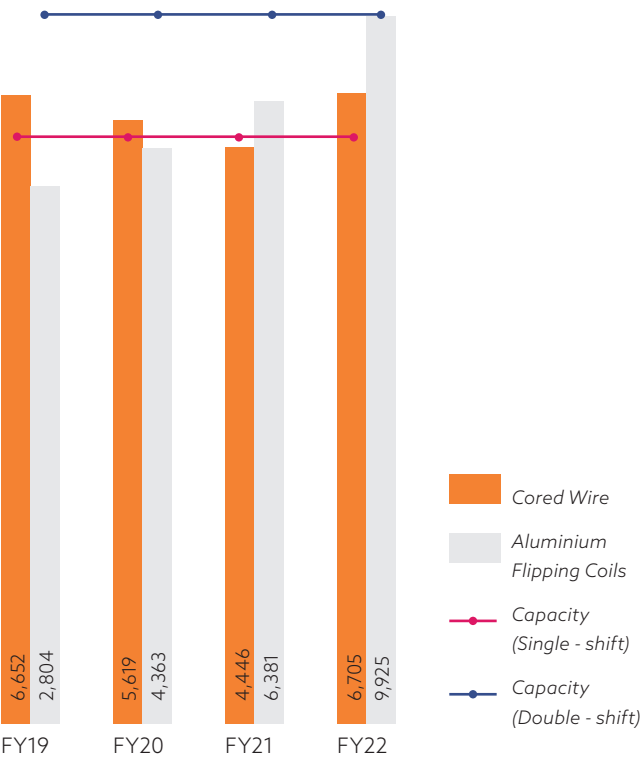
~15,000^{TPA}

Post Expansion Production Capacity

Capacity Expansion

Sarthak has decided to add incremental capacity for both of its key products, which is in line with its growth plans, as well as bearing in mind the growing capacity utilisation of the Company’s manufacturing assets. It aims to achieve an additional 50% capacity enhancement in the Aluminium Flipping Coils category and an additional 25% in the Cored Wires category, in the coming financial year.

Capacity Utilization



Quality first approach

Sarthak is known for its timely delivery and excellent quality products, which are its key differentiators. Its ISO 9001:2008 certified manufacturing facilities, equipped with sophisticated machinery and testing equipment, ensure adherence to the highest production and quality standards. In addition, the Company’s fully- functional state-of-the-art chemical lab, equipped with world-class technology such as Atomic Absorption Spectrophotometer, is the first step of quality check for its raw materials. After that, its stringent quality checks at every step in the value chain enable it to deliver its customers the exact quality that they desire.

In all these years, Sarthak has earned a name for itself and has become the preferred supplier to major steel plants in India. This is attributable to the Company’s Chemical Lab, among other things, which is handled by well- trained lab assistants that check for the desired chemical composition in finished products before dispatch.



Warehousing Capabilities

In an industry such as Sarthak’s, ensuring a reliable and uninterrupted supply of products to customers is a prerequisite. While selecting a supplier, the customers differentiate and make their choice based on these factors, which is especially true given the critical applications of Sarthak’s products. Therefore, the Company has developed significant warehousing

facilities for storage of both raw materials and finished goods, to strengthen its supply chain further and consolidate its position as the preferred supplier for leading Indian steel plants.



Cored Wires

1,500^{SQMT}

Material storage space

Sufficient

Space to stock finished products as well



Aluminium Flipping Coils

2,800^{SQMT}

Material storage space

Sufficient

Space to stock finished products as well

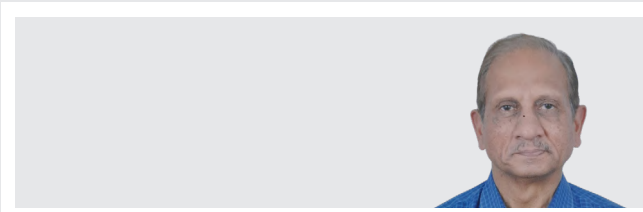
2,000+^{Tonnes}

Stock storage capacity, equivalent to 3 months buffer stock

4,000+^{Tonnes}

Stock storage capacity, equivalent to 4 months buffer stock

Leading by example



Mr. Sunil Kumar Agarwal
Chairman & Non Executive, Non Independent Director
A N S C

Mr. Agarwal has a vast experience with many esteemed organisations that include working with GCET Raipur and Indian Railways Traffic Services. He has also served in many prestigious roles with the Ministry of Railways, such as Divisional Railway Manager, Chief Commercial Manager SEC Railway, Chief Operating Manager and additional member to the Ministry of Railways. Mr. Agarwal holds a Bachelor’s Degree in Mechanical Engineering (Honours).



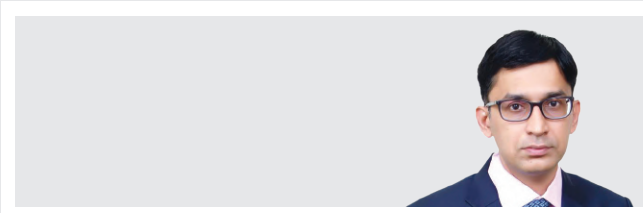
Mr. Anoop Kumar Bansal
Managing Director

Mr. Bansal has been instrumental in strategic planning and decision making for the organisation. Borrowing from his extensive experience, he contributes by lending innovative commercial ideas, execution-led solutions, and an overarching vision for the Company’s success. He has also managed and supervised operations of DB Group’s ferroalloys division and the Company’s industrial gases division (which was sold in 2021). In addition, he leads the CSR initiatives for the Company. Mr. Bansal holds a Bachelor’s degree in Commerce from Nagpur University.



Mr. Sanjay Shah
Whole-time Director

Mr. Shah’s contribution towards establishing the domestic business of Sarthak has been noteworthy. He has led the Company to empanel itself with leading steel institutions of the country, which augurs well for Sarthak, as today, it works with the largest steel mills of the country. Mr. Shah is also the Head of the Marketing team at Sarthak.



Mr. Mayur Bhatt
Whole-time Director & CEO

Mr. Bhatt’s contributions have been very valuable for Sarthak. Apart from being an essential link between the production and sales functions of the organisation, he also manages the day-to-day business and financial affairs of the Company. In addition, he also contributes significantly to raw materials management for the Company.

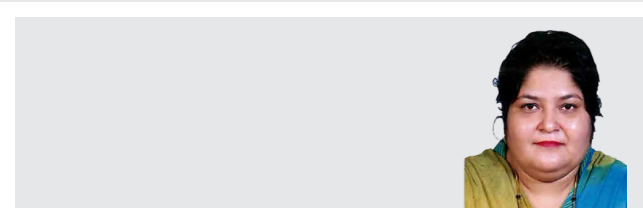
Board Committees

- M: Member

C: Chairperson
- A: Audit

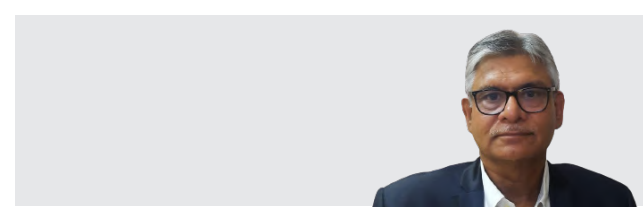
N: Nomination and Remuneration
- S: Stakeholder Relationship

C: Corporate Social Responsibility



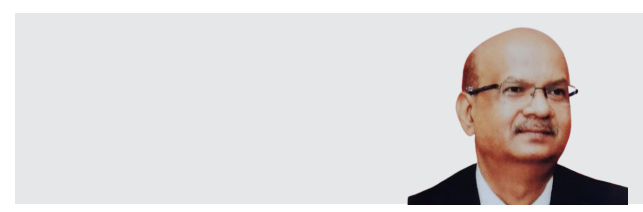
Ms. Rama Kohli
Non-Executive Independent Women Director
A N S C

Ms. Kohli undertakes various management advisory activities at Sarthak. She holds a Bachelor’s Degree in Science and a PGDBM from Pt. Ravishankar Shukla University, Raipur.



Mr. Sunil Dutt Bhatt
A N S C

Mr. Bhatt has a rich experience of 35 years with SAIL, wherein he was a part of the department of Instrument and Weighing in the Bhilai Steel Plant. He has recently joined the Company’s board in 2021, after his retirement in 2020.



Mr. Dwadasi Venkata Giri
Non-Executive Independent Director
A N S C

Mr. Giri has vast experience in banking and finance domains. He holds a Master’s degree in Commerce from Pt. Ravishankar Shukla University, Raipur. He holds qualifications as an LLB and CA IIB from Raipur.

Second Generation of Leaders



Mr. Samarth Bansal

Joined Sarthak Metals in 2017

Qualification: Automobile Engineer

Roles & Responsibilities: Production



Mr. Sagar Shah

Joined Sarthak Metals in 2017

Qualification: Civil Engineer

Roles & Responsibilities: Marketing & procurement



Mr. Sarthak Bansal

Joined Sarthak Metals in 2019

Qualification: Civil Engineer

Roles & Responsibilities: Every day operations

Strategies for a better tomorrow



Expanding Capacities

In the wake of growing market demand and increasing utilisation levels, and in line with the Company's growth plans, Sarthak is focussing on capacity augmentation in both of its product categories. With the addition of a furnace, up to 50% increase in capacity is planned in the Aluminium Flipping Coil vertical, taking the total installed capacity to 15,000 TPA. In the Cored Wire vertical, the addition of a new manufacturing line is estimated to increase capacity up to 25%, taking the total installed capacity to 12,500 TPA. These efforts are towards ensuring that the growth ambitions in the existing lines of business are delivered in the coming years.

50% Increase
With the addition of a furnace, up to 50% increase in capacity is planned in the Aluminium Flipping Coil vertical, taking the total installed capacity to 15,000 TPA.

25% Increase
In the Cored Wire vertical, the addition of a new manufacturing line is estimated to increase capacity up to 25%, taking the total installed capacity to 12,500 TPA.

Strengthening Export Business

In a bid to pursue higher growth rates, it is imperative that Sarthak taps into crucial export markets that offer higher potential for growth. Being engaged in exports since 2014, the Company has a worldwide footprint with a presence in Turkey, Brazil, South Africa, Oman, Bulgaria, Australia and South Korea. In the times to come, the Company aims not only to add more countries to the bouquet it caters to but also to deepen its ties in export markets where it already has an established presence. These steps would not only enable the Company to grow at a rate higher than the domestic industry benchmark but also allow it to hedge against the cyclicity of any one particular market i.e. at present the Indian market. In addition, having a balanced revenue stream, spread internationally over multiple countries, would also enable the Company to optimise its realisations.



Strategic Projects: Integration in value- chain & Diversification

In the recent past, the Company has continued to consolidate its position and market share as a leading supplier in the Indian market. The Company is deeply committed to strategic projects to enable the continued maintenance and betterment of its growth trajectory and further strengthen its business model. These projects focus on integration in the value chain as well as diversification. To this effect, the Company is seeking to integrate itself into its value chain, possibly for raw materials or even value-additions to its existing products. The Company also aims to diversify its business by delving into adjacent product categories, where the breadth of opportunity may be more comprehensive. In line with its expansion plan, the Company has recently acquired 5 acres of land adjacent to its existing facilities, which may be used for expansion projects in the future.

Integrate
The Company is seeking to integrate itself into its value chain, possibly for raw materials or even value-additions to its existing products.

Diversify
The Company also aims to diversify its business by delving into adjacent product categories, where the breadth of opportunity may be more comprehensive.

Alternate Applications of Existing Products

The Company also plans to consider the possible alternate applications of its existing products, where opportunities are significantly large and beyond metallurgy. At present, its offerings are geared towards the metals and metallurgical industries. However, for instance, the application of the Company's Aluminium Flipping Coils in the electrical industry has the potential to render itself to a wide range of products, thereby significantly increasing the addressable market opportunity for the Company.

Aluminium Flipping Coils
The application of the Company's Aluminium Flipping Coils in the electrical industry has the potential to render itself to a wide range of products.