



Vardhman

Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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Ref. VSSL:SCY:NOV:2018-19

DATED: 05-Nov-2018

The Deputy General Manager, Corporate Relationship Deptt, Bombay Stock Exchange Limited, 1 st Floor, New Trading Ring, Rotunda Building, P.J Towers, Dalal Street, Fort, MUMBAI-400001. Scrip Code: 534392	The National Stock Exchange of India Ltd, "Exchange Plaza, Bandra-Kurla Complex, Bandra (East), MUMBAI-400 051 Scrip Code: VSSL
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SUB: COMPLIANCE OF REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIRMENTS) REGULATIONS 2015.

Dear Sir,

Pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find enclosed herewith Investor Presentation on Un-Audited financial results of the Company for the quarter/half-year ended 30th September, 2018.

Kindly note and display the notice on your notice board for the information of the members of your exchange and general public.

Thanking you,

Yours faithfully,
For VARDHMAN SPECIAL STEELS LIMITED


(Sonam Taneja)
Company Secretary

YARNS | FABRICS | THREADS | GARMENTS | FIBRES | **STEELS**

PAN NO.: AADCV4812B CIN: L27100PB2010PLC033930
WWW.VARDHMANSTEEL.COM



VARDHMAN SPECIAL STEELS LTD.

A COMMITMENT TO QUALITY

Vardhman Special Steels Limited

Q2 & H1 FY19

Result Update Presentation



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A COMMITMENT TO QUALITY

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Quarterly Financial Highlights



Management's Message



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

Commenting on the results Mr. Sachit Jain, Vice Chairman and Managing Director said –

“The first half of this year has been driven by higher volumes and increase in realizations. The rising cost of key raw materials continued to be a challenge. There was also some inflationary effect due to the spurt in raw material costs as a result of increasing steel and graphite electrode prices in the last six months. This has put some pressure on our profitability. However, we see this effect stabilizing over the coming months as we have already started to revise our price contracts.”

Overall, we remain committed to our strategic agenda of delivering consistent, profitable volume led growth. I thank the entire team of ‘Vardhman Special Steels Limited’ for their untiring efforts, hard work, sincerity and high dedication. Also, I would like to thank our valued Shareholders, whose support and faith in our Company along with their critical inputs has given us the determination and ambition to grow from strength to strength.”





Financial Highlights – Q2 FY19 (YoY)



*EBITDA is excluding Other Income



Financial Highlights – Q2 FY19



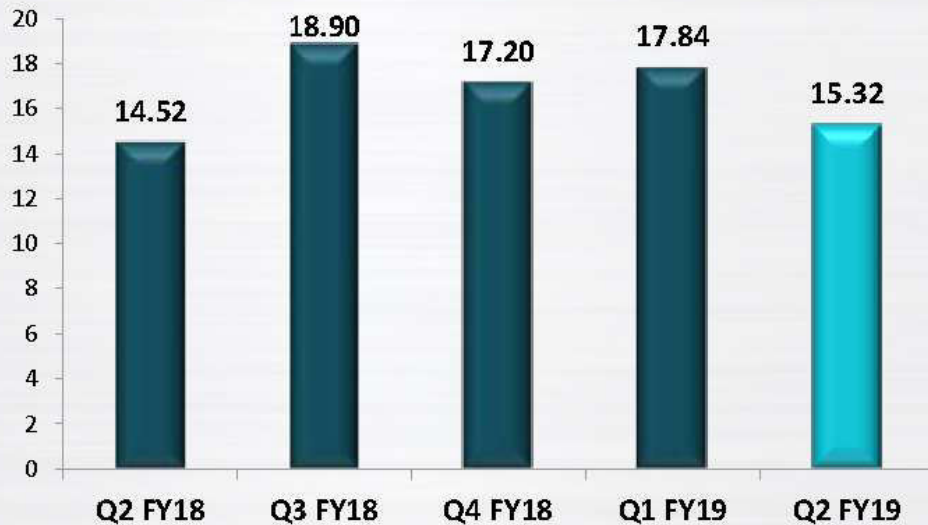
Sales Volumes (MT)



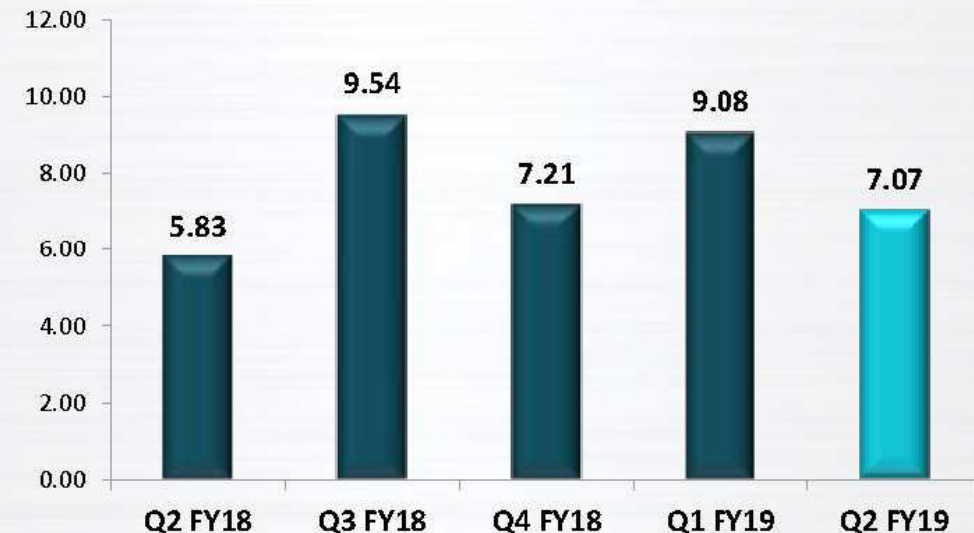
Net Revenue (Rs. Crore)



EBITDA* (Rs. Crore)



PAT (Rs. Crore)



*EBITDA is excluding Other Income



Profitability Highlights – Q2 FY19



INR Crore	Q2 FY19	Q2 FY18	Y-o-Y %	Q1 FY19
Income from Operations	295.49	207.06		269.50
Excise Duty	0.00	0.00		0.00
Net Sales	295.49	207.06	42.71%	269.50
Cost of Materials Consumed	183.15	112.34		169.83
Purchases of Stocks	14.65	0.00		0.00
Changes In Inventory	(15.68)	1.11		(13.64)
Raw Material Expenses	182.12	113.45		156.19
Employee Expenses	13.44	11.84		12.73
Power & Fuel	35.01	34.62		33.31
Other Expenses	49.60	32.63		49.43
Total Expenditure	280.17	192.54		251.66
EBITDA	15.32	14.52	5.51%	17.84
Other Income	1.23	1.34		1.78
Depreciation	5.98	4.86		5.66
Interest / Finance Cost	5.64	5.17		4.88
PBT	4.93	5.83		9.08
Tax	(2.14)	0.00		0.00
PAT	7.07	5.83	21.27%	9.08
Basic EPS in Rs.	1.98	1.82	8.79%	2.54

The background of the slide is a photograph of a large industrial facility, likely a steel mill. A prominent blue overhead crane is visible on the right side, extending across the top of the frame. In the foreground, there are large pieces of machinery, including what appears to be a rolling mill. A glowing orange-red metal bar is being processed, and another one is visible in the lower-left corner. The overall scene is filled with industrial equipment and structural elements.

Half Yearly Financial Highlights



Financial Highlights – H1 FY19



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY



11%

Volume (MT)
84,053 MT



38%

Revenue
Rs. 564.99 cr



28%

EBTIDA**
Rs. 33.16 cr



95%

PAT
Rs. 16.15 cr



59%

EPS
Rs. 4.52 vs. Rs. 2.85 H1 FY18

**Re-instated EPS w.r.t. Right Issue; **EBITDA is excluding Other Income*

During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF);



Financial Highlights – H1 FY19



INR Crore	H1 FY19	H1 FY18	Y-o-Y %
Income from Operations	564.99	428.11	
Excise Duty	0.00	18.93	
Net Sales	564.99	409.18	38.08%
Cost of Materials Consumed	352.98	217.66	
Purchases of Stocks	14.65	0.00	
Changes In Inventory	-29.32	10.47	
Raw Material Expenses	338.31	228.13	
Employee Expenses	26.17	22.71	
Power & Fuel	68.32	65.25	
Other Expenses	99.03	67.26	
Total Expenditure	531.83	383.35	
EBITDA	33.16	25.83	28.38%
Other Income	3.01	2.83	
Depreciation	11.64	9.49	
Interest / Finance Cost	10.52	10.89	
PBT	14.01	8.28	
Tax	-2.14	0.00	
PAT	16.15	8.28	95.05%
Basic EPS in Rs.	4.52	2.85	58.60%

*Re-instated EPS w.r.t. Right Issue

During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF)



Balance Sheet as on 30th Sept'18



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

INR Crore	As on 30 th Sept'18	As on 31 st Mar'18
Equity*	355.35	339.32
Equity Share Capital	35.70	35.70
Other Equity	319.65	303.62
Non-current liabilities	142.75	102.33
Financial Liabilities		
(a) Borrowing	141.74	101.46
(b) Other Financial liabilities	0.05	0.00
Provisions	0.96	0.85
Deferred Tax Liabilities (Net)	0.00	0.00
Other Current Liabilities	0.00	0.02
Current liabilities	272.24	235.00
Financial Liabilities		
(a) Borrowings	127.30	118.50
(b) Trade Payables	109.15	60.61
(c) Other Financial Liabilities	33.04	52.25
Provisions	0.49	0.62
Other Current Liabilities	2.10	3.02
Current Tax Liability (Net)	0.16	0.00
Total Equities & Liabilities	770.34	676.65

INR Crore	As on 30 th Sept'18	As on 31 st Mar'18
Non Current Assets	316.26	278.83
Property Plant & Equipment	281.15	249.27
Capital work in progress	15.37	6.99
Other intangible assets	0.36	0.29
Financial Assets		
Long Term Investment	0.00	0.00
Long Term Loans	0.88	1.42
Deferred Tax Assets (Net)	2.20	0.00
Other Non Current Assets	16.30	20.86
Current Assets	454.08	397.82
Inventories	200.81	158.60
Financial assets		
Investments	0.01	8.16
Trade receivables	203.26	194.55
Cash & Cash equivalents	0.20	7.49
Other Bank Balance	0.04	0.00
Loans	1.15	1.02
Other financial assets	4.17	5.92
Current tax assets	0.00	0.36
Other Current Assets	44.44	21.72
Total Assets	770.34	676.65

*During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF)



Company Overview



Company Overview



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

Amongst India's Leading Steel Bar Producer for Automotive Application

- Incorporated in May 2010
- Headquartered in Ludhiana, Punjab
- Caters to sectors such as Engineering, Automotive, Tractor, Bearing and Allied Industries

Product offerings

- Steel Bars and Rods and Bright Bars of various categories of Special & Alloy Steels

State-of-the-art manufacturing facilities

- Cutting-edge manufacturing technology
- Manufacturing Capacity as on March 2018
 - Billets - 2,00,000 MTPA
 - Rolled Bars – 1,80,000 MTPA

Continuous Focus on improving Capital Structure

- Debt reduced from Rs. 350 Crs in FY15 to Rs. 228 Crs. in FY18
- Raised Rs. 118 cr through Rights Issue and QIP to repay debt and fund ongoing capex

Reputed and long term customers

- Toyota, Hero Moto Corp, Caterpillar, Hino Motors, Maruti, Bajaj and Hyundai, among others
- More than **200+** Clients as on March 2018

Strong International Customer Base for forging applications

- Thailand, Taiwan, Turkey, Russia, Germany and Spain

Certifications

- ISO 14001:2004; OHSAS 18001:2007; ISO 9001:2008; ISO/TS 16949:2009





Journey So Far



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

- **1973** - Commissioning of Oswal Steels at Faridabad, with initial capacity to produce 50,000 metric tonnes of special & alloy steels
- **1986** - Acquired another plant, Mohta Alloys in Ludhiana, with installed capacity of 1,00,000 metric tonnes per annum

- **2010** - Incorporated as independent identity under Vardhman Group - earlier unit of Vardhman Textiles Limited

- **July 2015** – Installed Fume Extraction system for pollution & dust control worth Rs. 12 Crore
- **Aug 2015** – Increased expansion for Bright bars to 36,000 TPA & 1,80,000 mt./pa for Hot Rolled
- **Dec 2016** - Installed transformers & allied equipment of Rs. 35 Cr to reduce melting time & increased SMS capacity to 2,00,000 tonnes

1973-86

1995-01

2010-12

2013-14

2015-16

2017-18

- **1995** – Installed ultra-modern Steel Melting Shop and 9/6 meter Bloom Caster with Electromagnetic Stirrer
- **2000** – Commissioned Vacuum Degassing (V.D) System
- **2001** - Strengthened product portfolio with addition of Bright Bar Facility
- Closed Faridabad operations & shifted to Ludhiana

- **2013** – Installed fully automatic rolling mill with capacity of 1,50,000 metric tonnes & Magnaflux leakage testing system (Dr. Foerster Germany), and Ultrasonic Testing from (Olympus, Canada)

- **Oct. 2017** – Purchased ~8 acres of land at Ludhiana for Rs. 36 Cr plus government duties
- **June 2018** – CRISIL upgraded long term borrowing rating to CRISIL AA from AA-



Strong & Experienced Board of Directors



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

Mr. Rajeev Gupta – Chairman & Independent Director

- B. Tech from BHU/IIT, Varanasi and MBA from IIM, Ahmedabad
- Rich experience of more than 34 years in manufacturing, investment banking and private equity
- One of Country's topmost Investment Banker

Mr. Sachit Jain – Vice Chairman & MD

- B. Tech (Electrical) from IIT, New Delhi, MBA (Gold medallist) from IIM, Ahmedabad and Owner/President Management Program from Harvard, USA
- Experience of over 29 years in Textile and Steel Industry – Jt. MD Vardhman Textiles Ltd.
- Chairman of CII, Northern Region

Ms. Suchita Jain – Director

- Master's degree in Commerce from Punjab University, Chandigarh
- Over 25 years of rich experience in textile industry
- Key role in starting fabric manufacturing in Vardhman Textiles Ltd.
- Representative of Promoter Group

Mr. Rajinder Kumar Jain – Director

- Chartered Mechanical Engineer from Institute of Mechanical Engineers London
- Retired as General Manager from Indian Railways after 35years of service

Mr. B.K. Choudhary – Director

- Degree in B.Sc., M.Com & MBA
- Rich experience of more than 43 years in Steel & Textile industry
- Managing Director of Vardhman Acrylics Limited

Mr. Jayant Davar – Director

- Qualified as Mechanical Engineer
- Rich experience of more than 29 years in auto Industry
- Chairman-cum-MD of Sandhar Technologies Ltd. – Tier I supplier to Auto Industry



Strong & Experienced Board of Directors cont...



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY

Mr. Sanjeev Pahwa – Director

- B. Tech from IIT, Delhi
- Renowned Industrialist
- Rich Experience of more than 25 years in bicycle/automobile tyres and tubes industry
- Chairman-cum-MD of Ralson (India) Ltd. – Largest tyre manufacturer in World

Mr. Sanjoy Bhattacharyya – Director

- Bachelor of Science (Statistics Honours) and M.B.A. from IIM, Ahmedabad
- More than 20 years of experience in equities & investment management
- One of leading stock market Gurus

Mr. Rakesh Jain – Director

- Ph.d in Polymers from the University of Akron
- Worked in the Advanced Technology Group at GE Electro-materials Division (EMD) in Coshocton, OH, USA
- Worked with Aditya Birla Group (ABG) as MD of Indo Gulf Fertilizers Ltd, - Appointed as Jt. MD of Aditya Birla Nuvo
- Presently, he is MD of Arjuna Advisory Services, LLP

Note - Company is in process of finalising a Candidate for Woman Independent Director



Business Overview



Wide Range of Sizes for Rolled Products



Hot Rolled Bars



- Diameter Size : Increased from 25-70 MM in 2012 to 16-120 MM in 2017-18

Bright Bars



- Size : 14.66 to 78 mm (Peeled), 21.35 to 50 mm (Drawn)



With State-of-the-art manufacturing facilities



VARDHMAN SPECIAL STEELS LTD.
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Steel Melting Shop

- **Annual Capacity : 2,00,000 MT**
- 30 MT Ultra High Power (UHP) Eccentric Bottom Tapping (EBT Type)
- Fully automated continuous feeding system for DRI & other raw materials
- Automatic lance manipulator for oxygen and coke injection
- Electrode regulation system - Melt Controller
- CELOX for active oxygen measurement (Electronite)



Rolling Mill

- **Annual Capacity : 1,80,000 MT**
- High Rolling Mill installed in 2013
- Mill with complete automation
- 33 TPH "Walking" Hearth Type Reheating Furnace
- Reversible 2 high shift able stand with Bar Manipulator
- 10 Continuous Stands in Horizontal & Vertical configuration
- Online Dimensional Measurements
- Rack Type Cooling bed designed for better straightness & Hardness levels
- Abrasive Cutter



Bright Bars

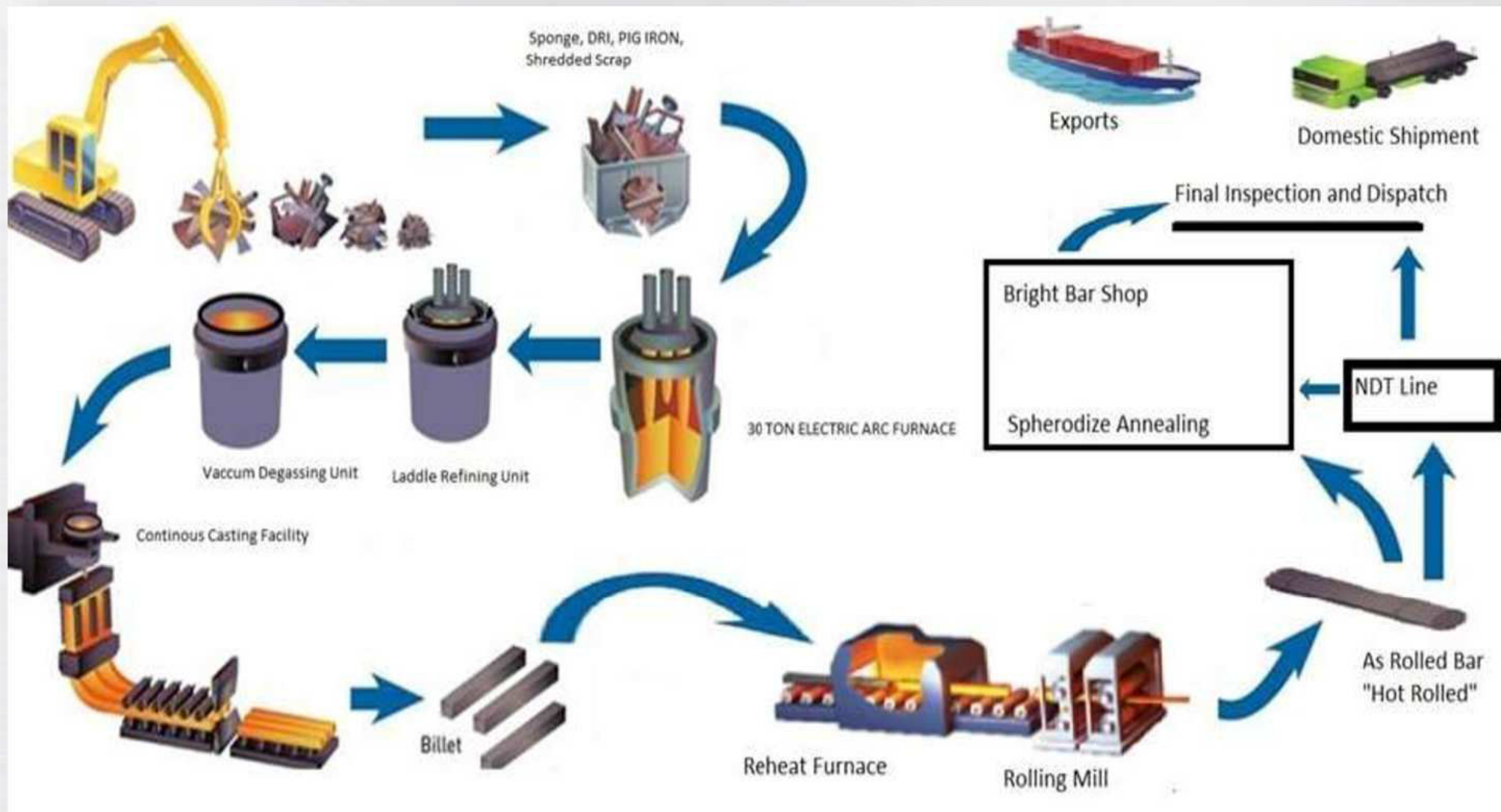
- **Annual Capacity : 36,000 MT**
- **Bar Peeling & Centreless Grinding**
 - Straightening
 - Peeling
 - Cold drawing
 - Polishing
 - Centreless grinding
 - Full length bar Magnetic Particle Inspection
 - High Speed Band Saws
 - Circular Saw - Cut to Length Steel



Process Flow



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Steel Melting Shop



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Electric Arc Furnace



Ladle Refining Furnace



Continuous Casting Machine



Vacuum Degassing





Rolling Mill & Bright Bars



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Rolling Mill



Reheating Furnace



Rolling Mill

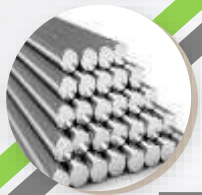
Bright Bar Shop



Spheroidizing & Annealing
Machines



Bright Bar Shop

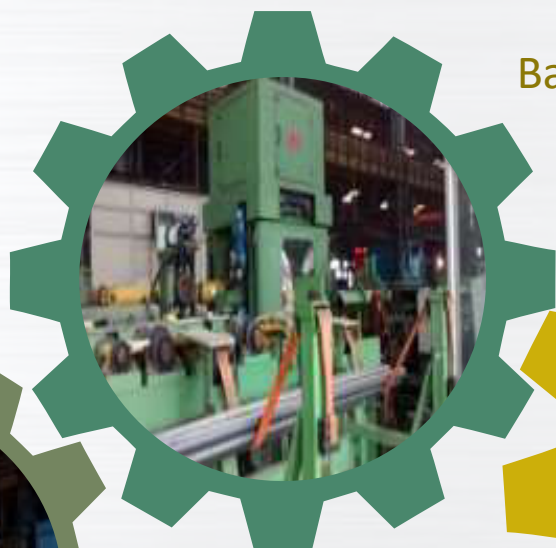


Automatic Line of Bar Inspection - NDT Line



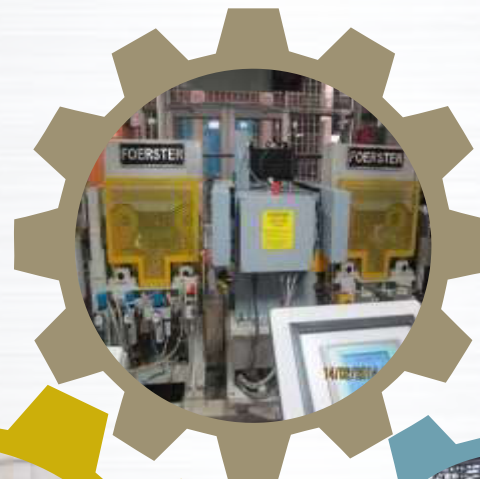
VARDHMAN SPECIAL STEELS LTD.
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Straightening
Straightness : 2mm /
meter

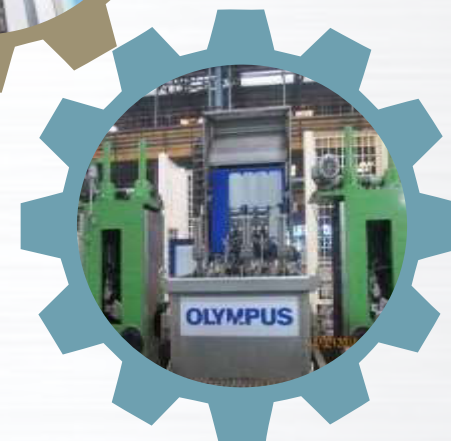


Shot Blasting

Chamfering
Bar ends free from
Burr



MFLT
Acceptance Criteria:
0.2x10mm



UST
Acceptance Criteria: SDH -
0.8x10mm, FBH - 0.8 & 1.2mm



With best in class R&D Facility



VARDHMAN SPECIAL STEELS LTD.
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- **Spectrometer** : ARL 4460:1454 for Chemical Analysis. It can check 32 different elements
- CS - 230 : Analyzer for Carbon & Sulfur content in steel
- **LECO gas analyzer** – TC 600 H₂, N₂, O₂ Analyzer
- Mobile Spectro and XRF for Mix up Testing of Bars
- **Mechanical and Metallurgical Testing Lab**
 - Rockwell Hardness Tester
 - Impact Testing Machine (Material Toughness)
- **Metallurgical Microscope with Image Analyzer**
 - Carl Zeis microscope with maximum magnification of 1000x
 - Olympus microscope with maximum magnification of 2000x
- **RADLAB-1 GAMMA RAY Spectrometer**
 - For Testing Steel Samples for Radiological Content
 - Can identify different types of Isotopes present in Steel Sample and show Results in Bq/gm
 - Samples Radiological content can be certified with 300 Second scan in RadLab "Well"



...ensuring highest levels of quality and compliance



Strategically located Warehousing Facilities



VARDHMAN SPECIAL STEELS LTD.
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- **One Owned Warehouse**
 - Bilaspur Haryana
- **Five Leased Warehouses in India**
 - Bangalore
 - Chennai
 - Rudrapur
 - Pune
 - Aurangabad



Key Strengths



State of Art Manufacturing Facilities and advanced R&D Capabilities

- Well equipped with latest upgraded Technology Machines

01

Diversified Product offerings

- Manufactures diverse range of products with wide applications across sectors
- Further expanding product offerings to increase wallet share with existing customers and adding new clients

02

Rich Management Experience

- Dynamic & rich experience in special steel sector
- Diverse team with right mix of operational & technical expertise along with dedicated and skilled employee base

03

Quality Standards & Assurance

- Adherence to quality standards across all stages of manufacturing
- Checked for dimensional accuracy & temper at every stage
- Well equipped with all modern testing facilities to check for physical, mechanical and chemical properties

04

Brand Image

- Continuous brand building exercise by providing excellent services to satisfy our customers

05



Strong Global Customer Base



VARDHMAN SPECIAL STEELS LTD.
A COMMITMENT TO QUALITY





Reputed & long term customers



VARDHMAN SPECIAL STEELS LTD.
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Cars



Two wheelers



HCL/LCV



Auto Components



Tractor



Automotive Off Highway



Over 200 Clients across different sectors



Quality Certifications



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ISO 9001 : 2008



ISO 14001 : 2004



ISO/TS 16949:2009



OHSAS 18001 : 2007 (non-accr.)



India's Best Companies To Work For 2012



Way Ahead



Way Ahead



Capacity Expansion

- *Increase melting capacity to 2,40,000 MT and Rolling Capacity to 2,20,000 MT over next 3 years - expected capex of approx. Rs. 200 Cr.*
- *Target of achieving full capacity utilization soon after completing capex*



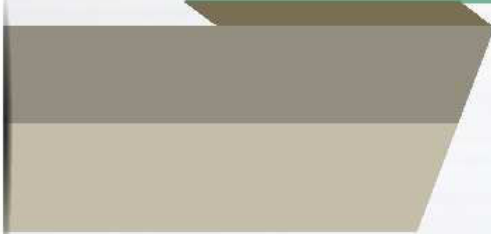
Joint Venture & Acquisition

- *Looking for Joint venture opportunities in down stream value added products namely Bright Bars*



Technical Alliance

- *Build strong technical alliance with a global player for automotive steels*
- *Explore value added products like high alloy steel through ingot casting route along with technical alliance/JV/Acquisition*



De-risking Business

- *Explore avenues towards de-risking business by increasing products offering and expand into new industry applications*



Thank You



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VSSL

Bloomberg

VSSL IN

REUTERS

VARM.BO

For further information, please contact:

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