



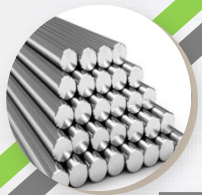
**VARDHMAN SPECIAL STEELS LTD.**

A COMMITMENT TO QUALITY

# Vardhman Special Steels Limited

Investor Presentation

May 2018



# Disclaimer



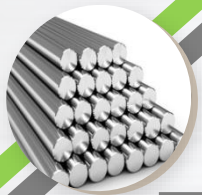
**VARDHMAN SPECIAL STEELS LTD.**

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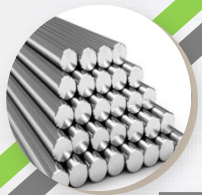


**Way Ahead**





## Company Overview



# Company Overview



**VARDHMAN SPECIAL STEELS LTD.**  
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## **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**

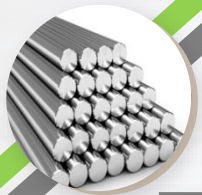
- Thailand, Taiwan, Turkey, Russia, Germany and Spain

## **Certifications**

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







# Journey So Far



- **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

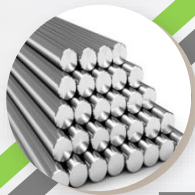
2015-16

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



# Strong & Experienced Board of Directors



**VARDHMAN SPECIAL STEELS LTD.**  
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## 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...



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### 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

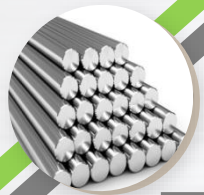
- Ph.d in Polymers from University of Akron
- Worked in Advanced Technology Group at GE Electro-materials Division (EMD) in Coshocton, OH,USA
- Worked with Aditya Birla Group (ABG) as MD of Indo Gulf Fertilizers Ltd, - Appointed at Jt. MD of Aditya Birla Nuvo
- Presently, he is MD of Arjuna Advisory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

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



The image is a collage of industrial scenes. In the foreground, there are several horizontal pipes of varying lengths. In the background, there is a large blue crane with a white cabin, a factory interior with yellow overhead cranes, and a worker in a blue shirt and white hard hat. The text 'Industry Overview' is centered in a white box with a black border and a drop shadow.

## Industry Overview



# Indian Automobiles Industry



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India expected to become **4th largest automobile producer globally by 2020** after China, US & Japan. Auto components industry also expected to become **3rd largest in world by 2025**

**7th** largest manufacturer of commercial vehicles

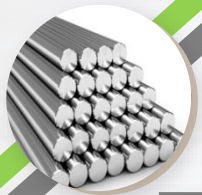
Initiatives like **'Make in India', 'Automotive Mission Plan 2026', and NEMMP 2020** to give a huge boost to sector

Presence of established domestic and international original equipment manufacturers (OEMs)

Passenger vehicle market -expected to touch **10 million units by 2020**. Sales crossed three million milestone in FY17

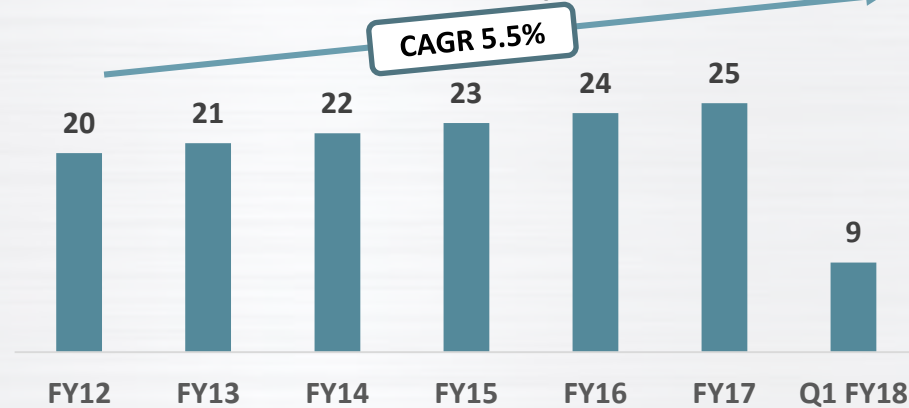
Only country among top seven car markets globally to achieve double digit **growth rate of 11 per cent** during Jan-May 2017





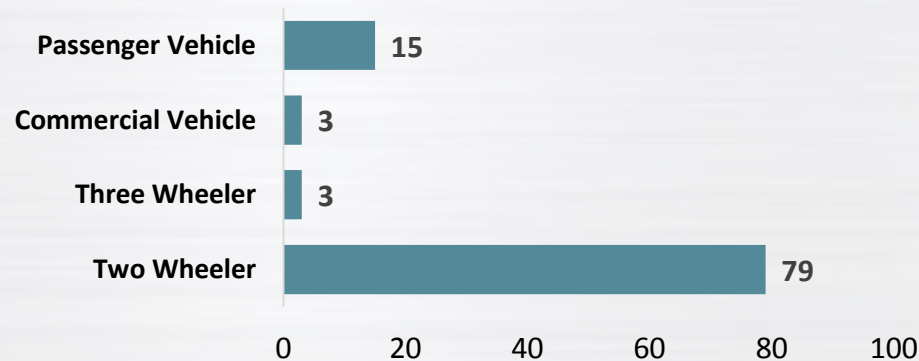
# Indian Automobiles Industry – Market Overview

Number of automobiles produced in India (in millions)

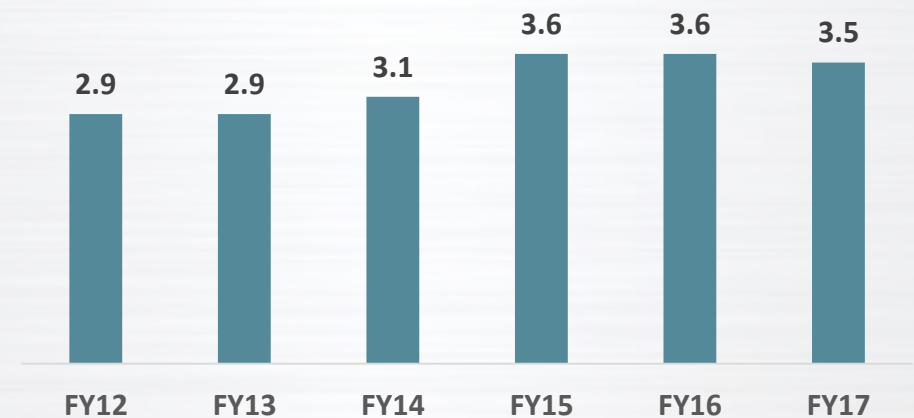


- Two-wheelers and passenger vehicles dominate Indian auto market - Sales of two-wheelers are expected to grow 8-10% in FY18
- Sales of top five passenger vehicle manufacturers in India increased 3.7% year-on-year in October 2017 to 238,838 units
- Two-wheelers and passenger cars accounted for 79% and 15% of production volume in FY17 respectively
- Over 67% of export volumes comprised of two-wheelers, followed by 22% for passenger cars

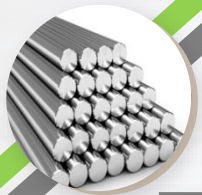
% Share of each segment in total production volume in FY17



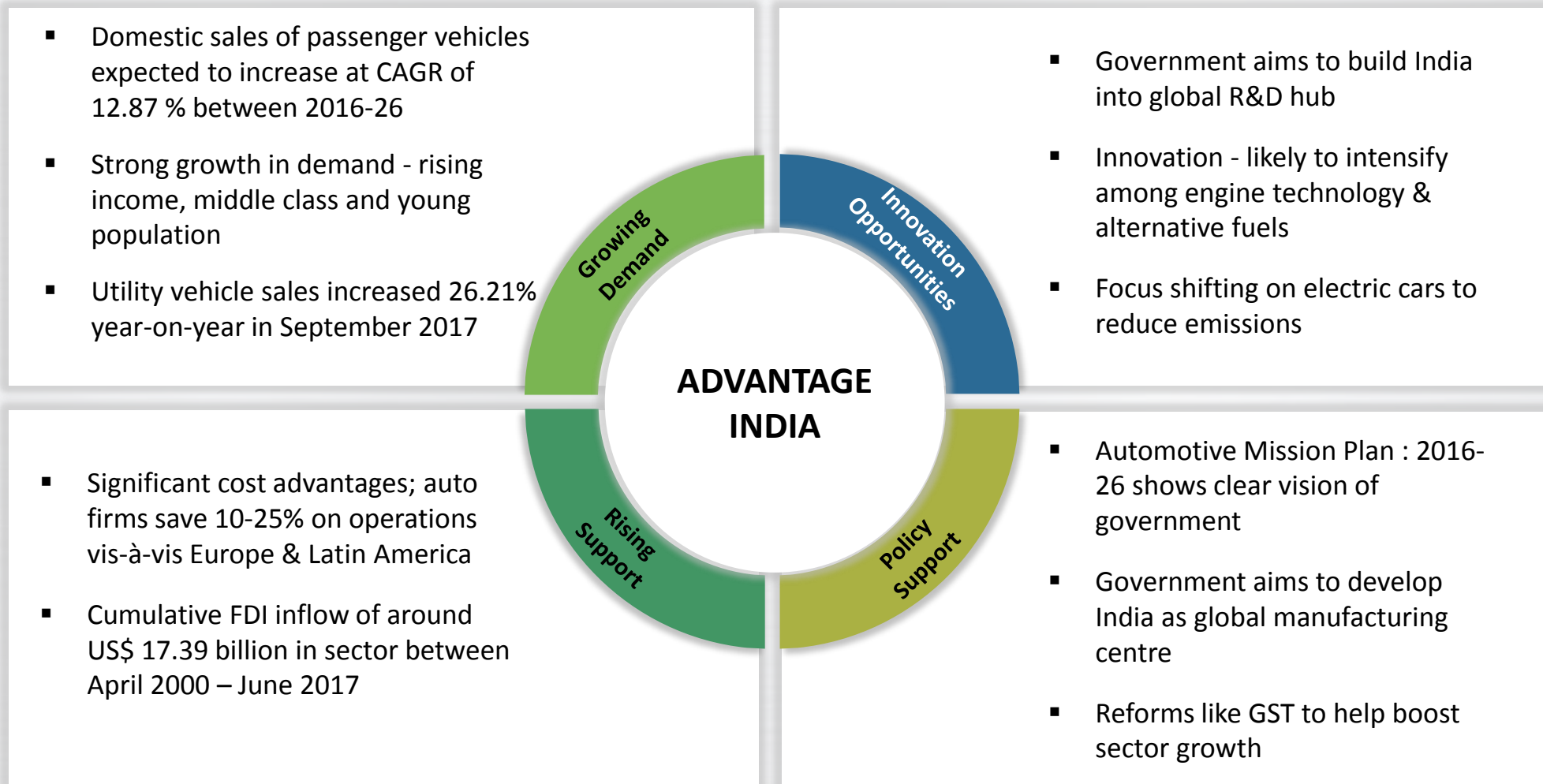
Number of automobiles exported (in millions)







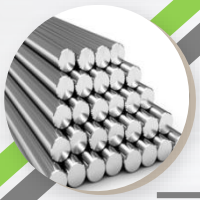
# Advantage India





## Business Overview





# Wide Range of Sizes for Rolled Products



## Hot Rolled Bars



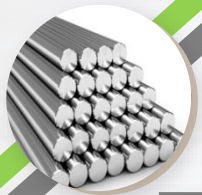
- Diameter Size : Increased from 25-70 MM in 2012 to 16-120 MM in 2017-18

## Bright Bars



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





# With State-of-the-art manufacturing facilities

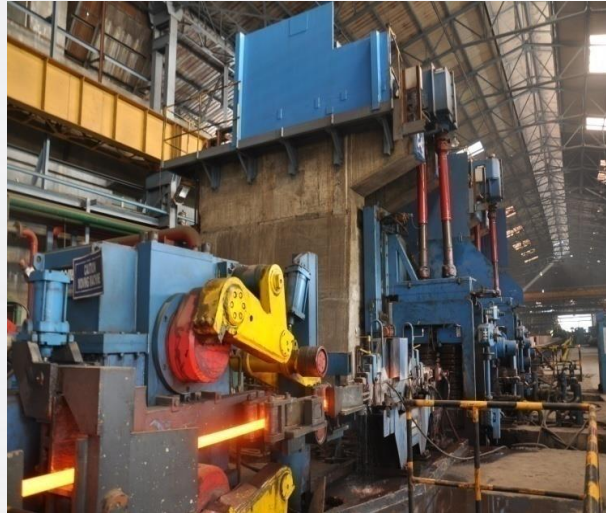


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## Steel Melting Shop

- **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)



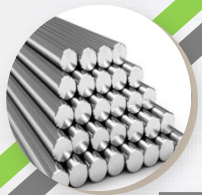
## Rolling Mill

- **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

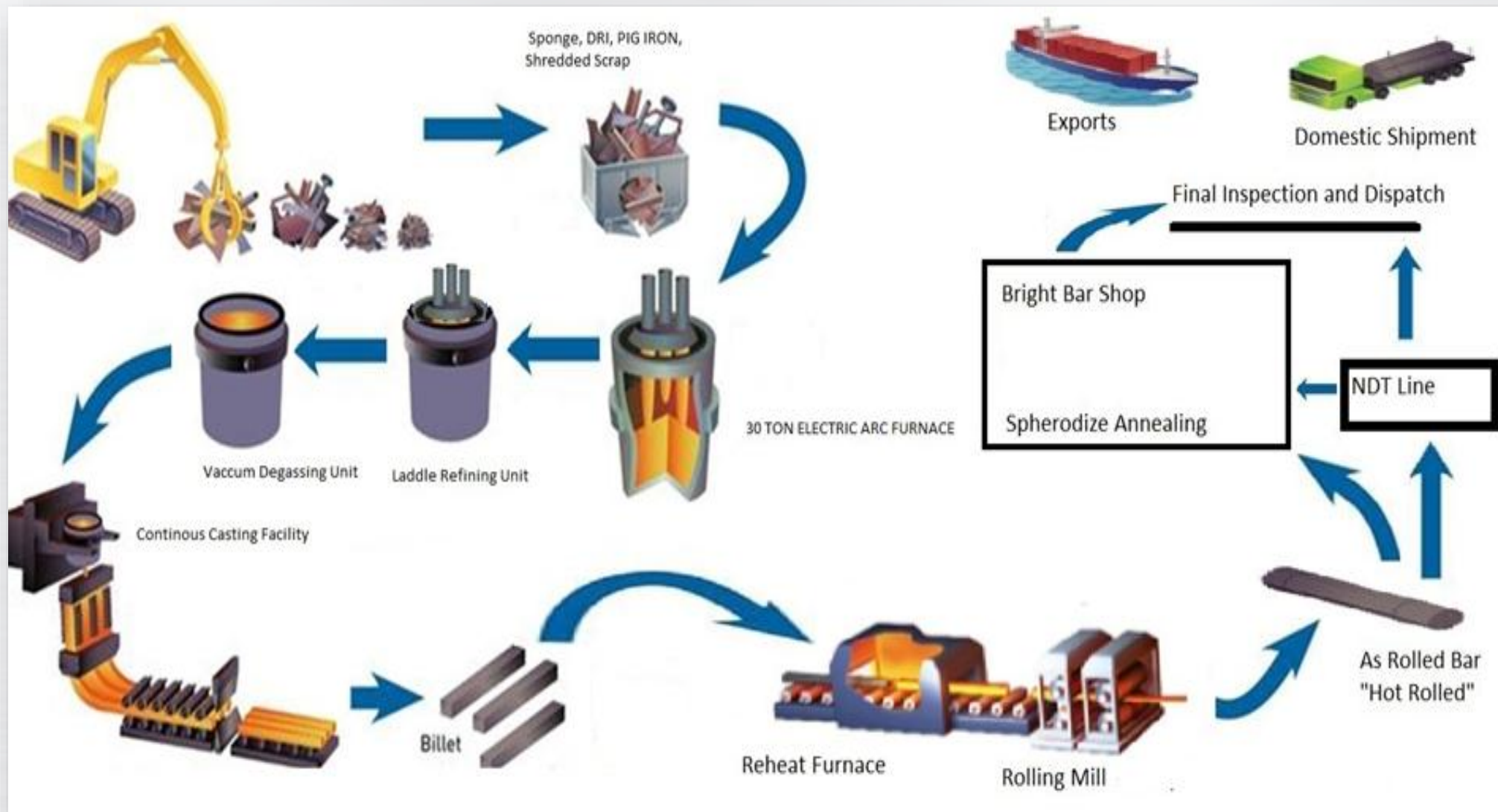
- **Annual Capacity : 36,000 MT**
- **Bar Peeling & Centreless Grinding**
  - Straightening
  - Peeling
  - Cold drawing
  - Polishing
  - Centreless grinding
  - Full length bar Magnetic Particle Inspection
  - High Speed Band Saws
  - Circular Saw - Cut to Length Steel



# 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

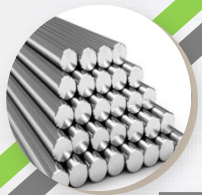
## Bright Bar Shop



Spheroidizing & Annealing  
Machines



Bright Bar Shop

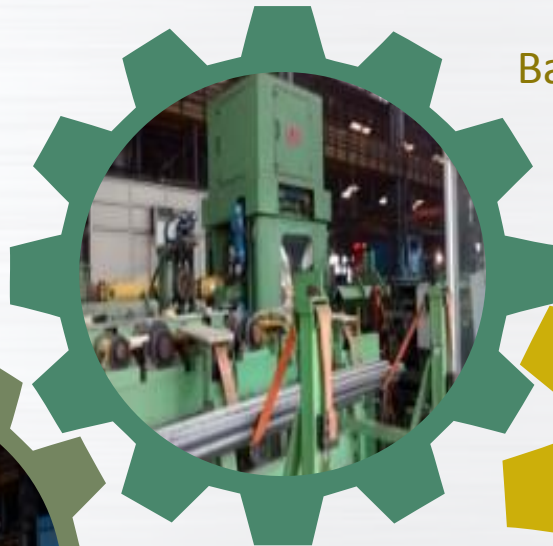


# Automatic Line of Bar Inspection - NDT Line



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**Straightening**  
Straightness : 2mm /  
meter



**Chamfering**  
Bar ends free from  
Burr



**Shot Blasting**

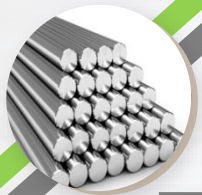


**MFLT**  
Acceptance Criteria:  
0.2x10mm



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





## With best in class R&D Facility

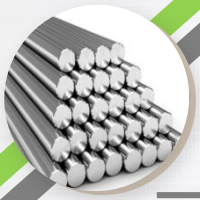


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- **Spectrometer** : ARL 4460:1454 for Chemical Analysis. It can check 32 different elements
- CS - 230 : Analyzer for Carbon & Sulfur content in steel
- **LECO gas analyzer** – TC 600 H<sub>2</sub>, N<sub>2</sub>, O<sub>2</sub> Analyzer
- Mobile Spectro 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"



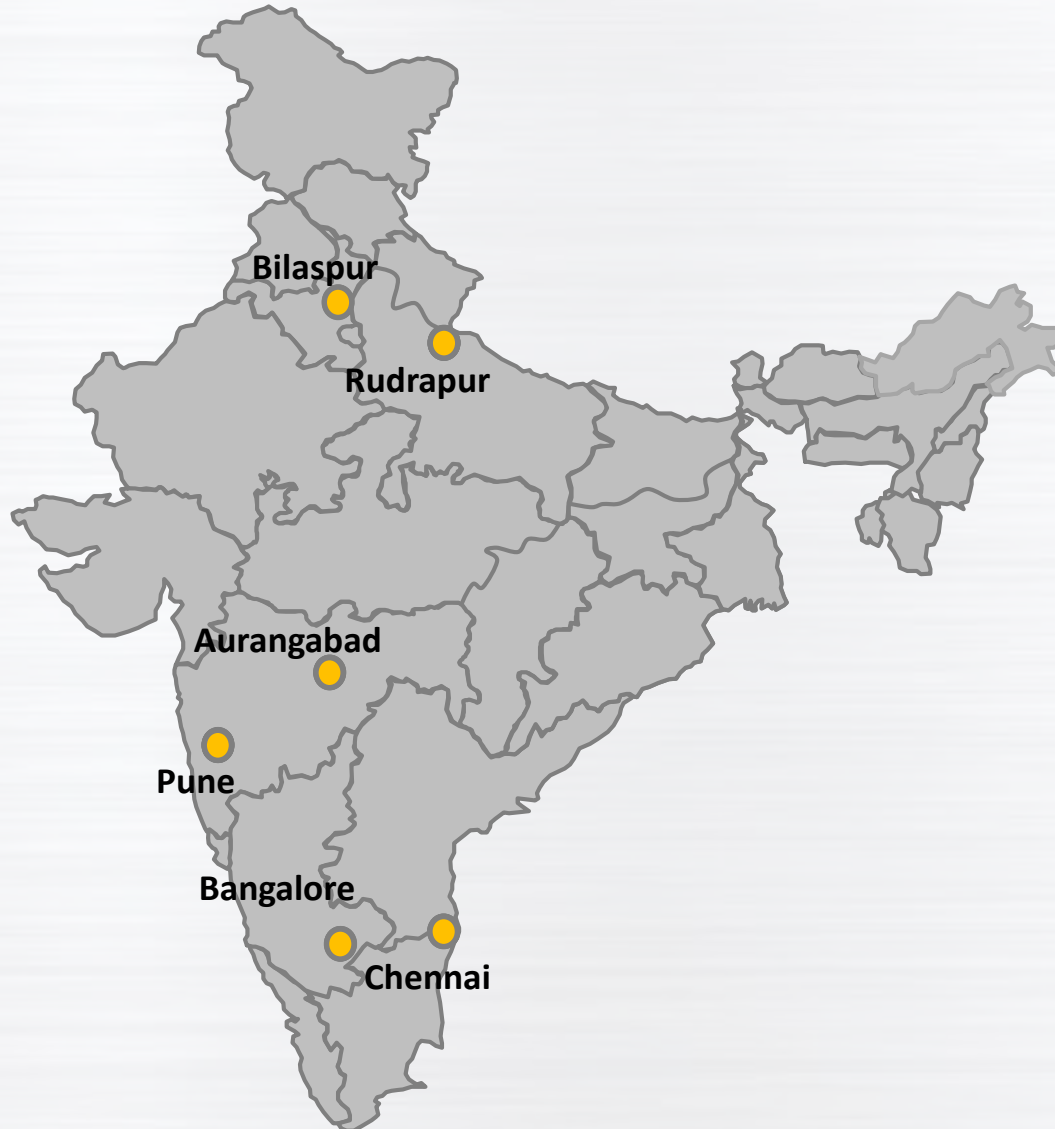
...ensuring highest levels of quality and compliance



# Strategically located Warehousing Facilities

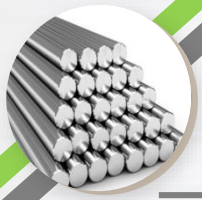


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- **One Owned Warehouse**
  - Bilaspur Haryana
  
- **Five Leased Warehouses in India**
  - Bangalore
  - Chennai
  - Rudrapur
  - Pune
  - Aurangabad





# 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

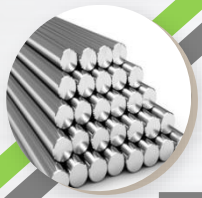
- Adherence to quality standards across all stages of manufacturing
- Checked for dimensional accuracy & temper at every stage
- Well equipped with all modern testing facilities to check for physical, mechanical and chemical properties

04

## Brand Image

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

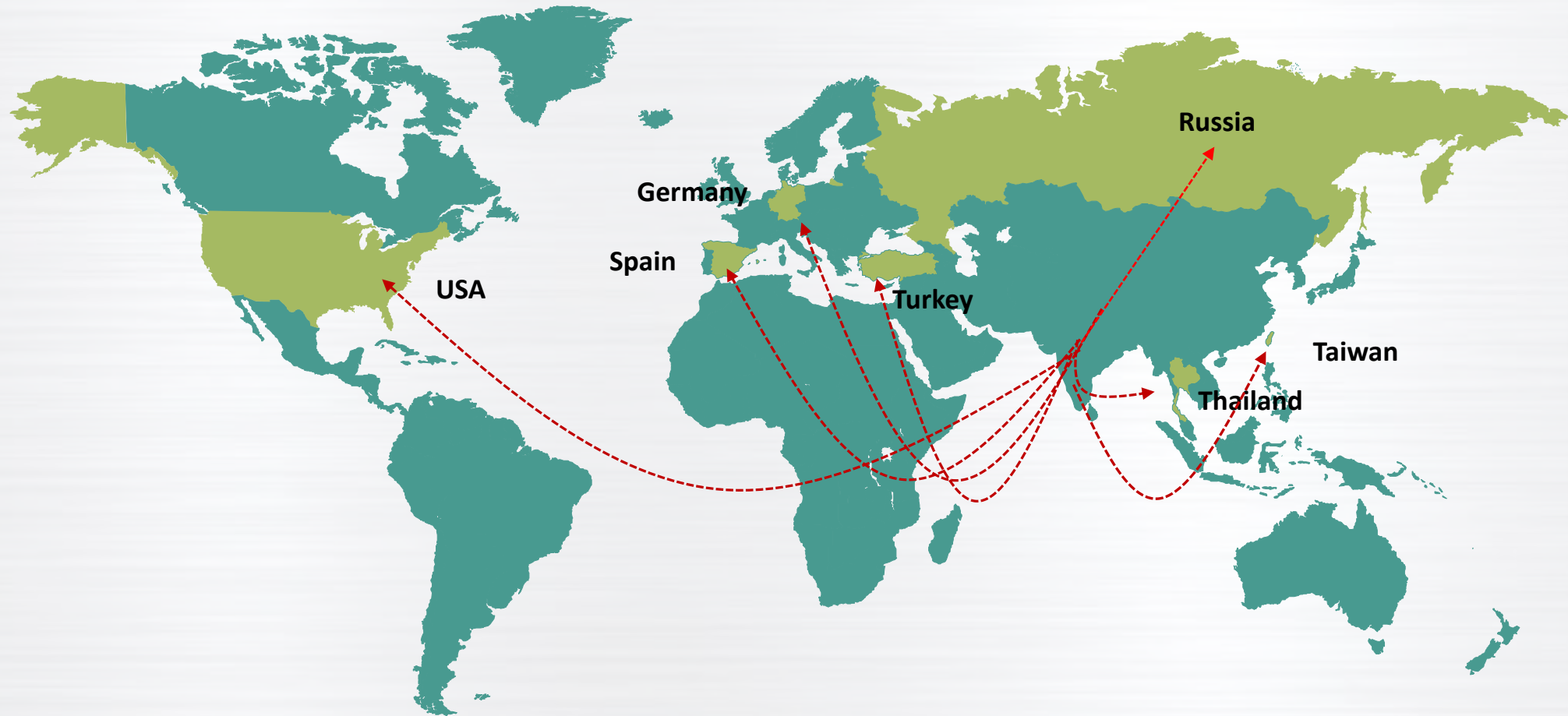
05



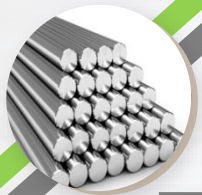
# Strong Global Customer Base



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# Reputed & long term customers



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## Cars



## Two wheelers



## HCL/LCV



## Auto Components



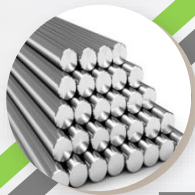
## Tractor



## Automotive Off Highway



Over 200 Clients across different sectors



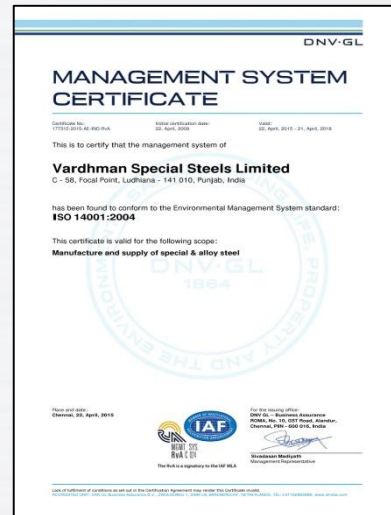
# Quality Certifications



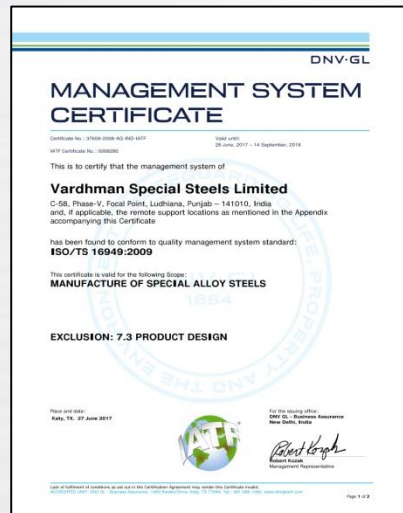
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**ISO 9001 : 2008**



**ISO 14001 : 2004**



**ISO/TS 16949:2009**



**OHSAS 18001 : 2007 (non-accr.)**

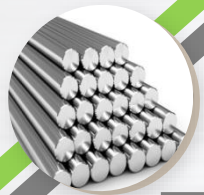


**India's Best Companies To Work For 2012**

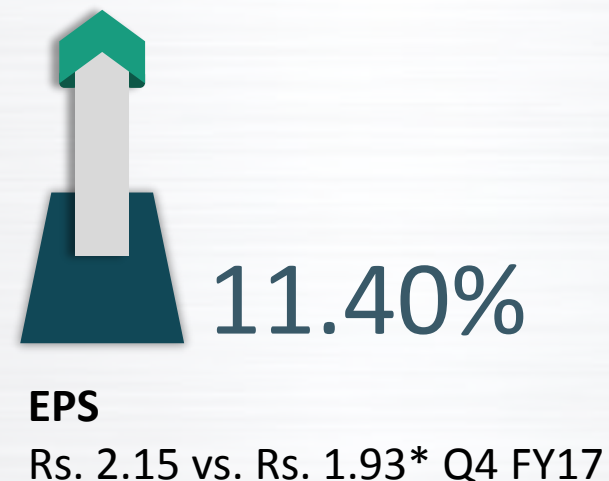
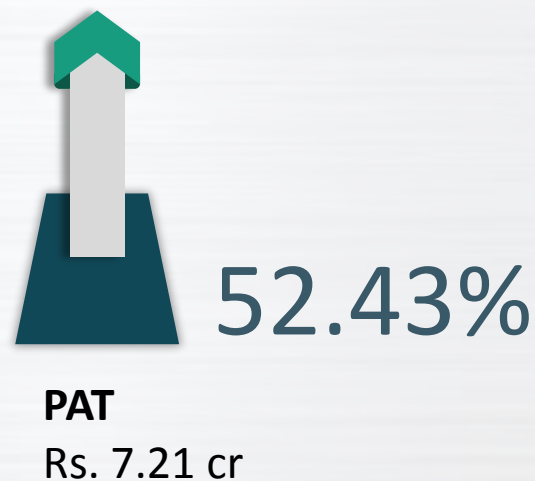
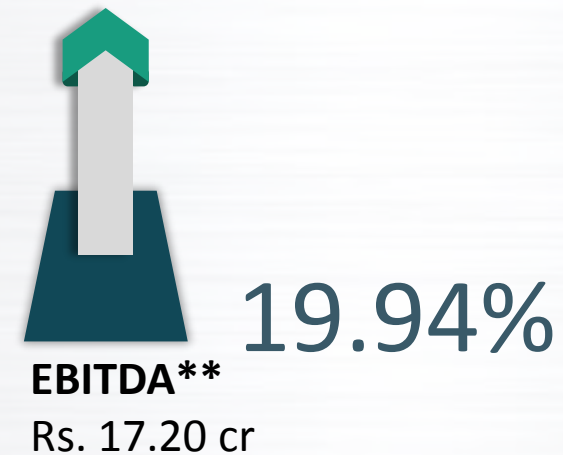
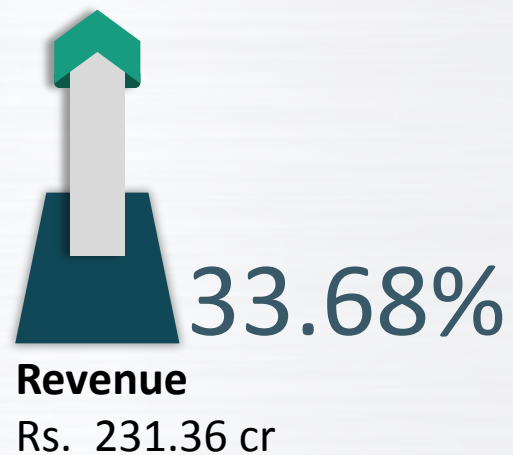


A construction site at sunset. A large blue crane is positioned on the right, with its arm extending across the top. In the center, a stack of several long, silver metal pipes is visible. A white rectangular box with rounded corners is overlaid on the pipes, containing the text "Quarterly Financial Highlights". The background shows a large, partially completed building with a complex steel framework, illuminated by the warm, golden light of the setting sun. The sky is a mix of orange and blue.

## Quarterly Financial Highlights



## Quarterly Financial Highlights – Q4 FY18

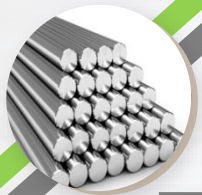


\*Re-instated EPS w.r.t. Right Issue

\*\*EBITDA is excluding Other Income

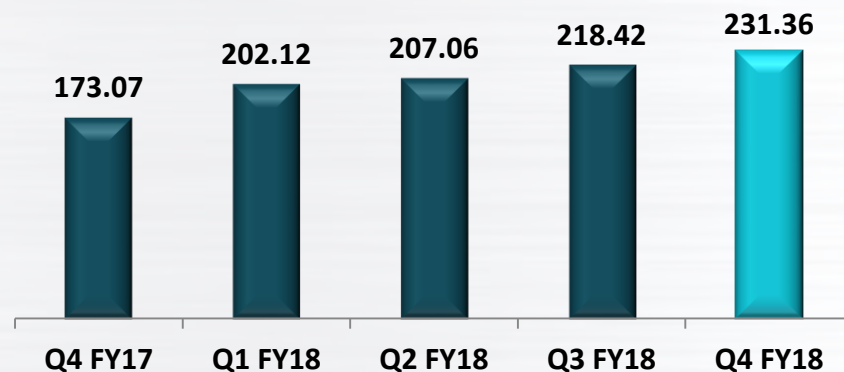
During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF)



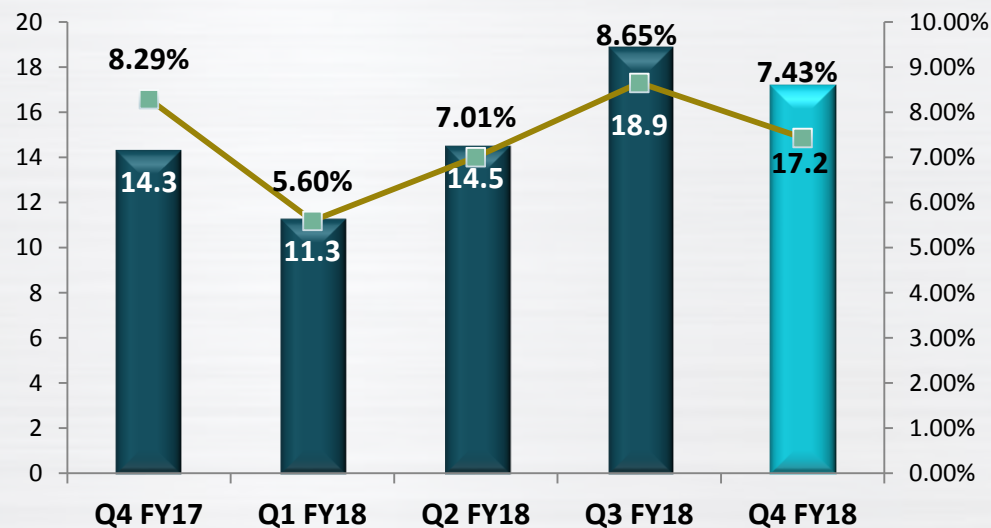


# Quarterly Highlights – Q4 FY18

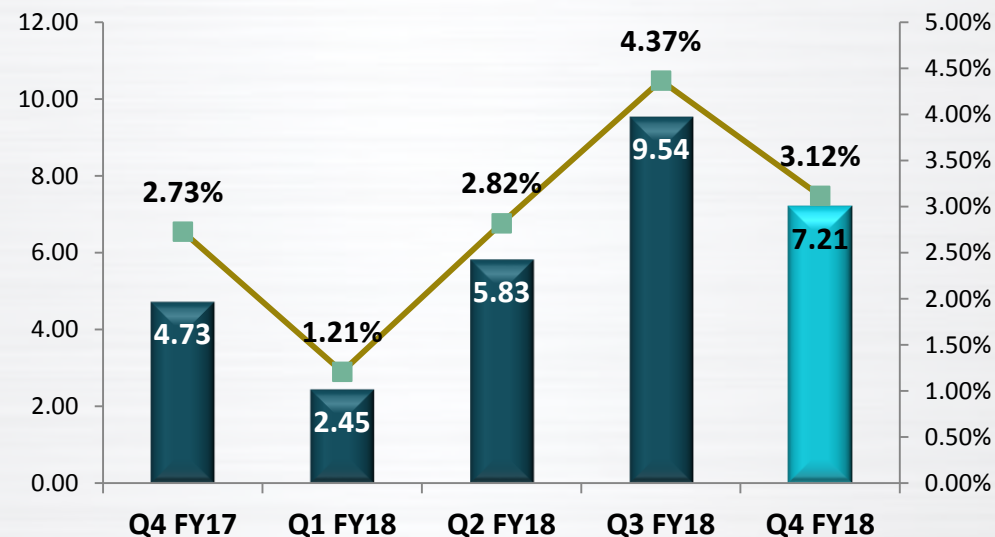
### Net Revenue (Rs. Crore)



### EBITDA\* (Rs. Crore)



### PAT (Rs. Crore)



\*EBITDA is excluding Other Income



## Quarterly Profitability Highlights – Q4 FY18

INR Crore	Q4 FY18	Q4 FY17	Y-o-Y %	Q3 FY18	Q-o-Q%
<b>Income from Operations</b>	<b>231.36</b>	<b>193.60</b>		<b>218.42</b>	
Excise Duty	0.00	20.53		0.00	
<b>Net Sales</b>	<b>231.36</b>	<b>173.07</b>	<b>33.68%</b>	<b>218.42</b>	<b>5.92%</b>
Cost of Materials Consumed	147.63	97.20		123.61	
Changes In Inventory	(20.44)	(6.71)		(9.25)	
Employee Expenses	12.20	10.71		11.82	
Power & Fuel	27.99	30.31		34.57	
Other Expenses	46.78	27.22		38.77	
<b>Total Expenditure</b>	<b>214.16</b>	<b>158.73</b>		<b>199.52</b>	
<b>EBITDA</b>	<b>17.20</b>	<b>14.34</b>	<b>19.94%</b>	<b>18.90</b>	<b>(8.99%)</b>
<b>EBITDA Margin</b>	<b>7.43%</b>	<b>8.29%</b>		<b>8.65%</b>	
Other Income	2.29	3.19		0.98	
Depreciation	6.31	4.53		5.71	
Interest / Finance Cost	5.91	8.27		4.63	
<b>PBT</b>	<b>7.27</b>	<b>4.73</b>		<b>9.54</b>	
Tax	0.06	0.00		0.00	
<b>PAT</b>	<b>7.21</b>	<b>4.73</b>	<b>52.43%</b>	<b>9.54</b>	<b>(24.42%)</b>
<b>PAT Margin</b>	<b>3.12%</b>	<b>2.73%</b>		<b>4.37%</b>	
<b>EPS in Rs.</b>	<b>2.15</b>	<b>1.93*</b>	<b>11.40%</b>	<b>3.05*</b>	<b>(29.51%)</b>

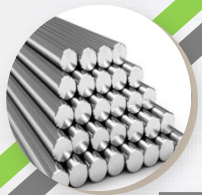
\*Re-instated EPS w.r.t. Right Issue

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



The background image shows a large industrial facility, likely a steel mill or manufacturing plant. A prominent blue crane with a white cabin is positioned on the right side, extending its arm across the upper part of the frame. In the center, several long, horizontal pipes or rods are visible, some of which are glowing red, indicating they are hot. The structure is composed of various metal beams, pipes, and machinery. The overall scene is one of active industrial production.

## Annual Financial Highlights

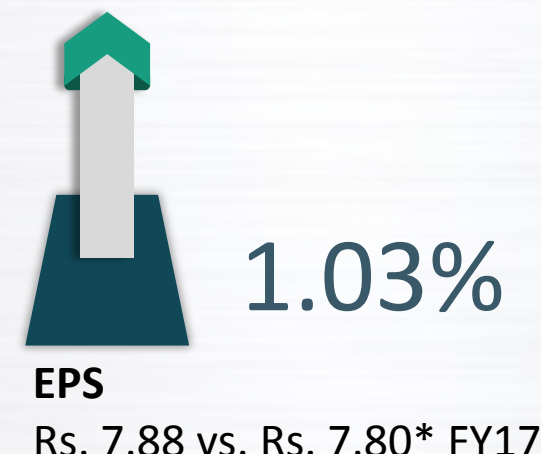
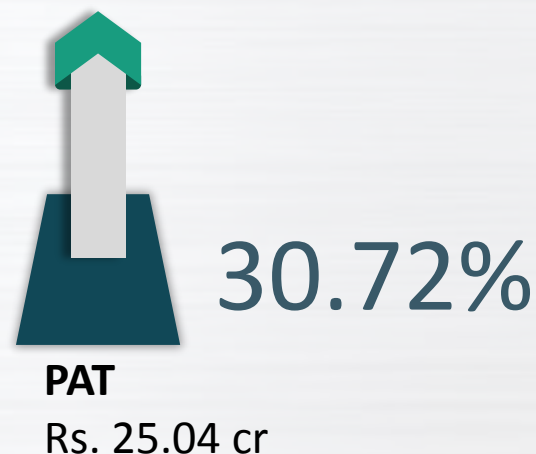
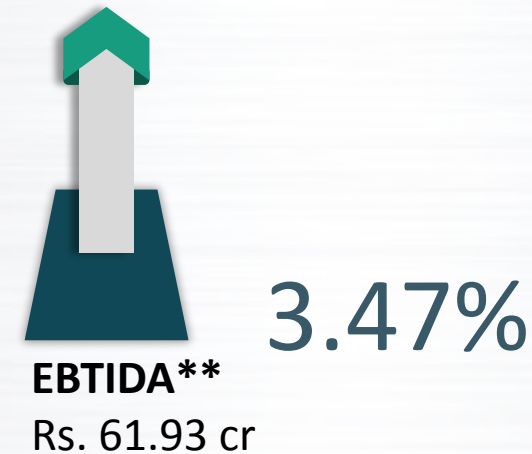
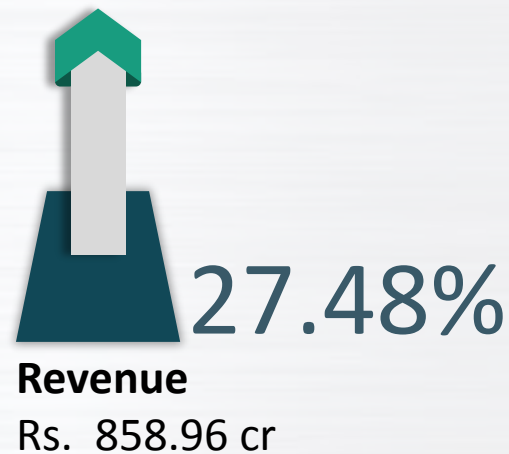


# Annual Financial Highlights – FY18



VARDHMAN SPECIAL STEELS LTD.

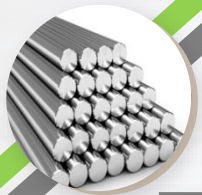
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\*Re-instated EPS w.r.t. Right Issue; \*\*EBITDA is excluding Other Income

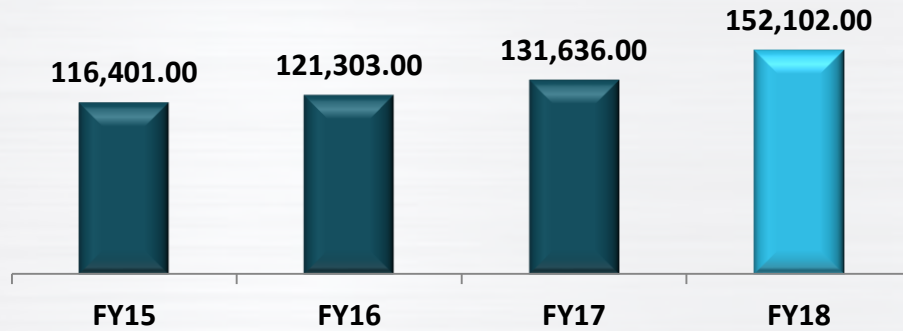
During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF);



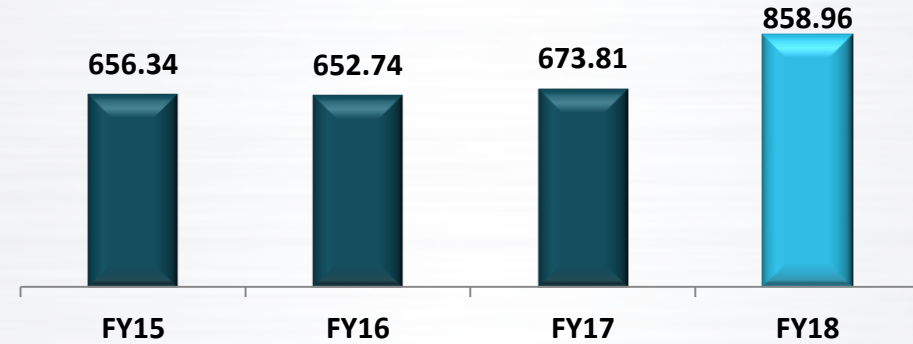


# Annual Financial Highlights – FY18

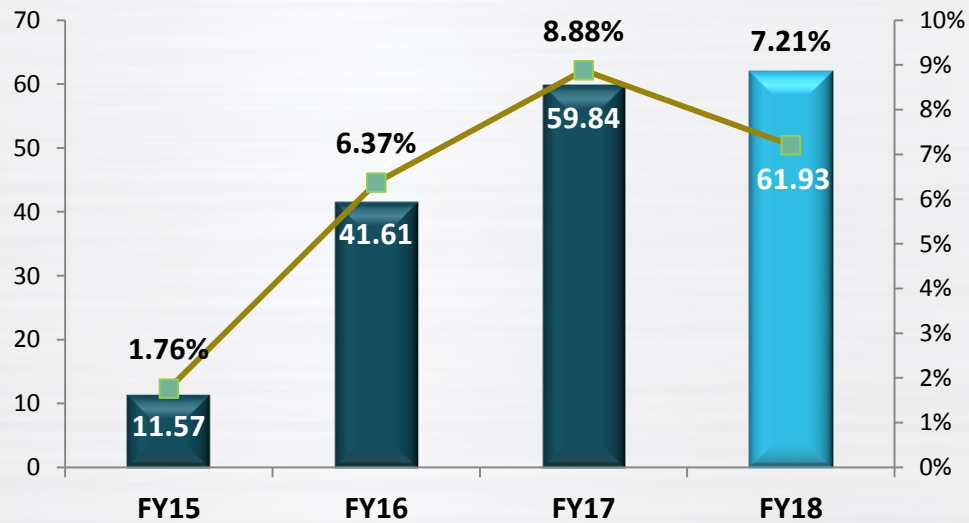
### Volume (MT)



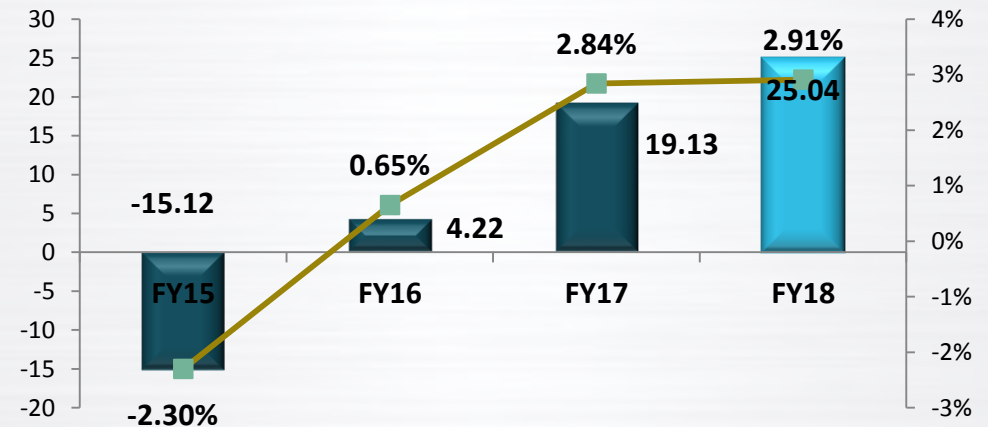
### Net Revenue (Rs. Crs)



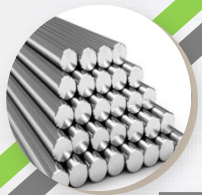
### EBITDA\* (Rs. Crs) / Margin (%)



### PAT (Rs. Crs) / Margin (%)



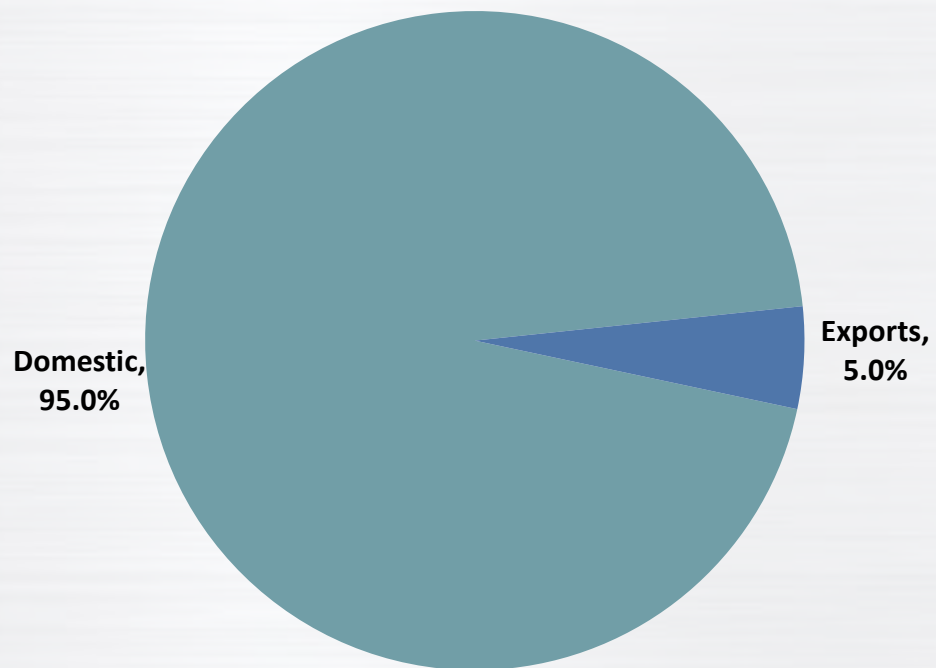
\* EBITDA is excluding Other Income



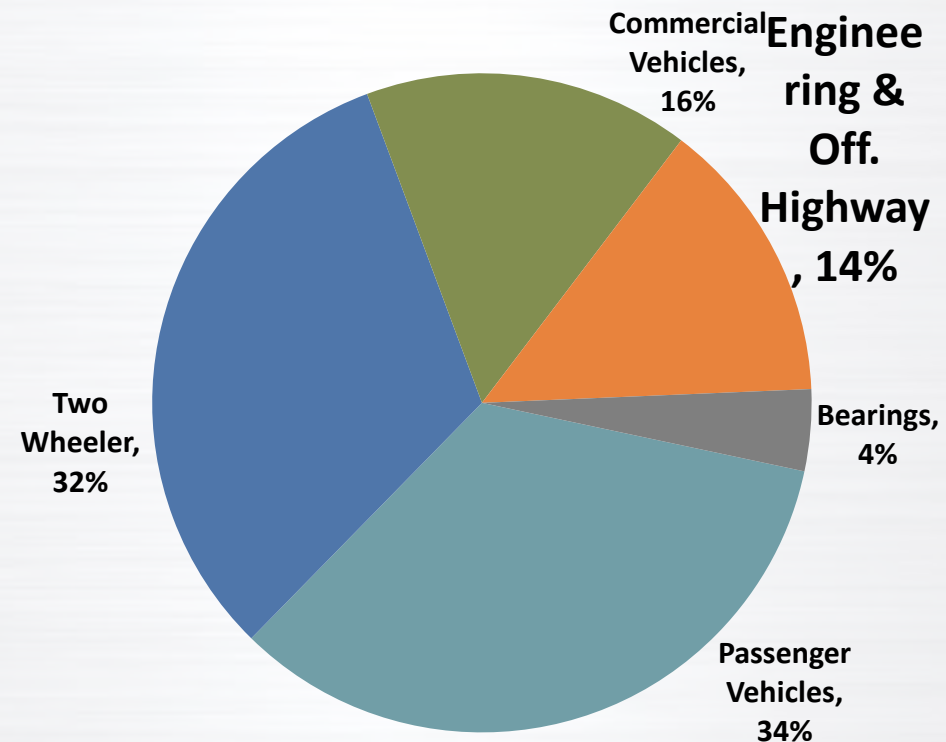
# Revenue Break up – FY18



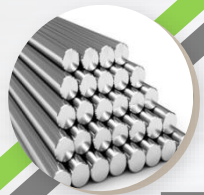
## Geography Wise



## Sector wise







# Annual Financial Highlights – FY18

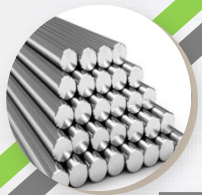


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INR Crore	FY18	FY17	Y-o-Y %
<b>Income from Operations</b>	<b>877.89</b>	<b>753.13</b>	
Excise Duty	18.93	79.32	
<b>Net Sales</b>	<b>858.96</b>	<b>673.81</b>	<b>27.48%</b>
Cost of Materials Consumed	488.90	364.22	
Changes In Inventory	(19.22)	(11.65)	
Employee Expenses	46.73	39.80	
Power & Fuel	127.81	109.48	
Other Expenses	152.81	112.11	
<b>Total Expenditure</b>	<b>797.03</b>	<b>613.96</b>	
<b>EBITDA</b>	<b>61.93</b>	<b>59.85</b>	<b>3.47%</b>
<b>EBITDA Margin</b>	<b>7.21%</b>	<b>8.88%</b>	
Other Income	6.10	5.64	
Depreciation	21.51	18.07	
Interest / Finance Cost	21.43	28.28	
<b>PBT</b>	<b>25.09</b>	<b>19.15</b>	<b>31.03%</b>
Tax	0.06	0.00	
<b>PAT</b>	<b>25.03</b>	<b>19.15</b>	<b>30.72%</b>
<b>PAT Margin</b>	<b>2.91%</b>	<b>2.84%</b>	
<b>EPS in Rs.</b>	<b>7.88</b>	<b>7.80*</b>	<b>1.03%</b>

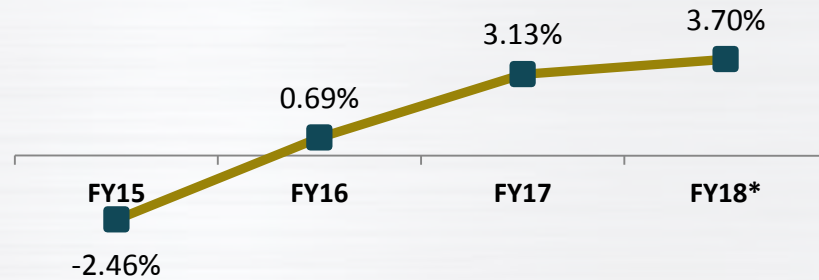
\*Re-instated EPS w.r.t. Right Issue

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

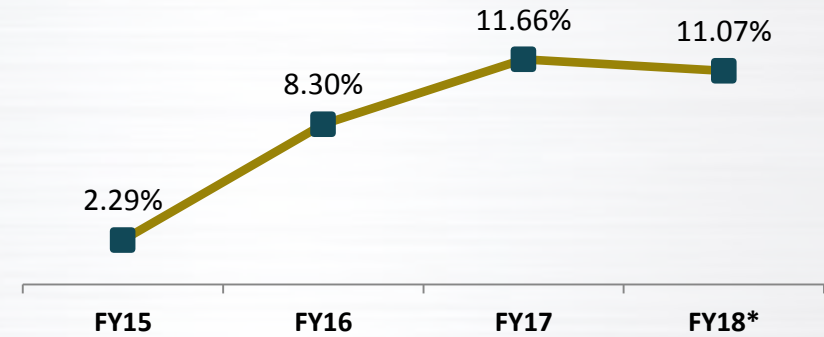


# Annual Balance sheet Highlights – FY18

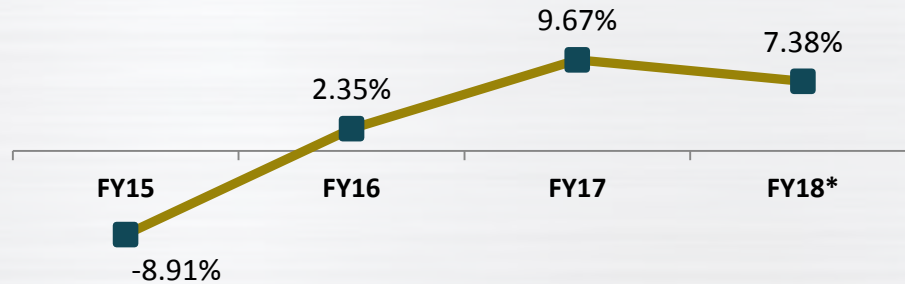
## ROA (%)



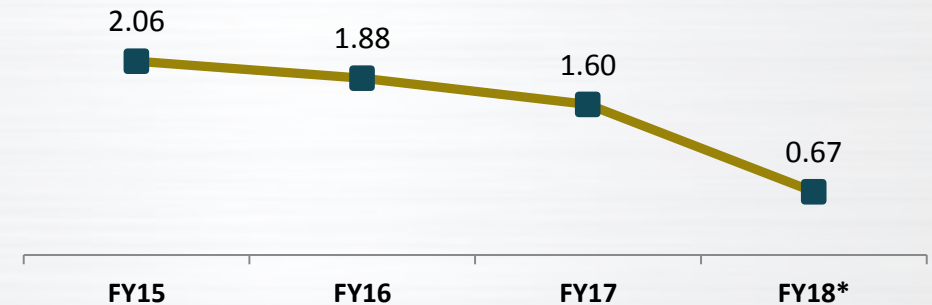
## RoCE (%)



## RoE (%)

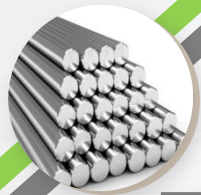


## Total Debt to Equity



\* During FY18 Company raised Rs. 68 cr through Rights Issue and Rs. 50 cr through QIP (subscribed by DSP Blackrock MF and Sundaram MF)  
RoE = Net Profit/Net Worth ; RoA = Net Profit/Total Assets ; RoCE = EBITDA/(NW+Total Debt-Investments); Total Debt includes Current Maturity of LT Debt





# Balance Sheet as on 31<sup>st</sup> March



INR Crore	Mar'18	Mar'17
<b>Equity*</b>	<b>339.32</b>	<b>198.08</b>
Equity Share Capital	35.70	18.56
Other Equity	303.62	179.53
<b>Non-current liabilities</b>	<b>102.33</b>	<b>116.46</b>
<b>Financial Liabilities</b>		
(a) Borrowing	101.46	115.46
(b) Other Financial liabilities	0.00	0.00
Provisions	0.85	0.80
Deferred Tax Liabilities (Net)	0.00	0.00
Other Current Liabilities	0.02	0.20
<b>Current liabilities</b>	<b>235.00</b>	<b>298.14</b>
<b>Financial Liabilities</b>		
(a) Borrowings	118.50	138.71
(b) Trade Payables	60.61	34.91
(c) Other Financial Liabilities	117.19	52.25
Provisions	0.62	0.27
Other Current Liabilities	3.02	7.06
<b>Total Equities &amp; Liabilities</b>	<b>676.65</b>	<b>612.67</b>

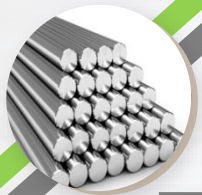
INR Crore	Mar'18	Mar'17
<b>Non Current Assets</b>	<b>278.83</b>	<b>277.60</b>
Property Plant & Equipment	249.27	264.18
Capital work in progress	6.99	1.11
Other intangible assets	0.29	0.39
<b>Financial Assets</b>		
Long Term Investment	0.00	0.68
Long Term Loans	1.42	0.46
Other Non Current Assets	20.86	10.77
<b>Current Assets</b>	<b>397.82</b>	<b>335.08</b>
Inventories	158.60	117.83
<b>Financial assets</b>		
Investments	8.16	0.31
Trade receivables	194.55	188.97
Cash & Cash equivalents	7.49	5.95
Loans	1.02	0.70
other financial assets	5.92	0.82
Current tax assets	0.36	0.76
Other Current Assets	21.72	19.74
<b>Total Assets</b>	<b>676.65</b>	<b>612.67</b>

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



**Way Ahead**





# Way Ahead



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## **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**



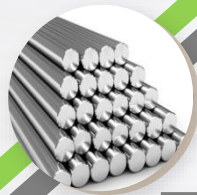
## **Technical Alliance**

- **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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