

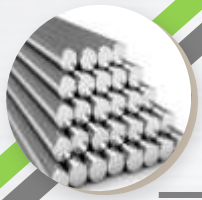


VARDHMAN SPECIAL STEELS LTD.

A COMMITMENT TO QUALITY

Vardhman Special Steels Limited

Result Update Presentation
August 2018



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A COMMITMENT TO QUALITY

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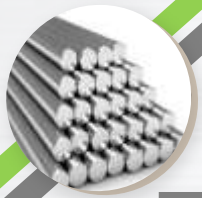


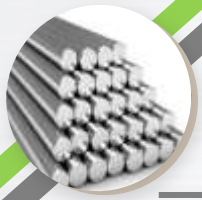
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A construction site at sunset. A large blue crane is positioned on the right, with its arm extending across the top. In the center, a stack of five long, silver metal pipes is shown. A white banner with the text "Quarterly Financial Highlights" is overlaid on the pipes. The background features 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



Management's Message



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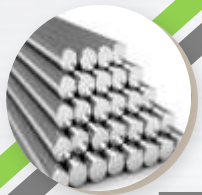
Commenting on the results Mr. Sachit Jain, Vice Chairman and Managing Director said –

“This quarter, we have demonstrated a good growth. This growth has come on the back of growth in our volumes, rich raw material mix which led to a higher output combined with lower power consumption. This has led to an increase in our sales & EBIDTA realizations as well. We have seen an uptick in demand coming in from the automobile sectors. I believe, this is good news for companies like ours as we will benefit from this rising demand.”

Our focus continues to remain on improving and maintaining our operational efficiencies leading to a better profitability. Our strength being operating efficiencies combined with capacity expansion will help the Company to achieve its future goals and consistently deliver superior performance. Our continued association with existing customers and focus on entering into associations with new customers has helped us grow.

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.”





Quarterly Financial Highlights – Q1 FY19 (YoY)



12%

Volume (MT)
41,587 MT



33%

Revenue
Rs. 269.50 cr



58%

EBTIDA*
Rs. 17.84 cr



271%

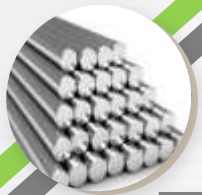
PAT
Rs. 9.08 cr



167%

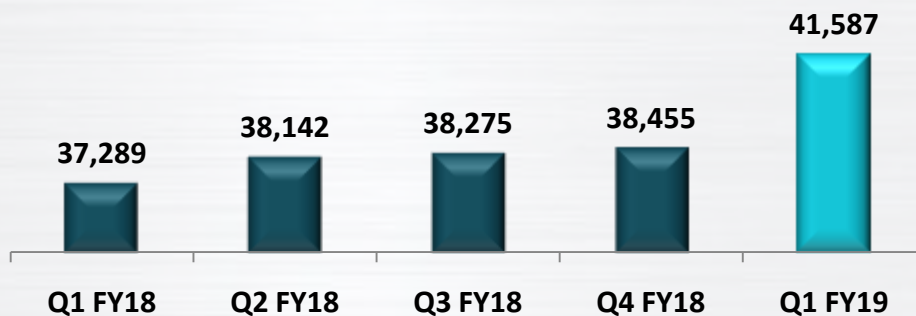
EPS
Rs. 2.54 vs. Rs. 0.95 Q1 FY18

- *Growth driven by increase in sales volumes, realizations and operational efficiencies*
- *EBITDA growth driven by opting for rich raw material mix that resulted in higher output combined with lower power consumption cost*

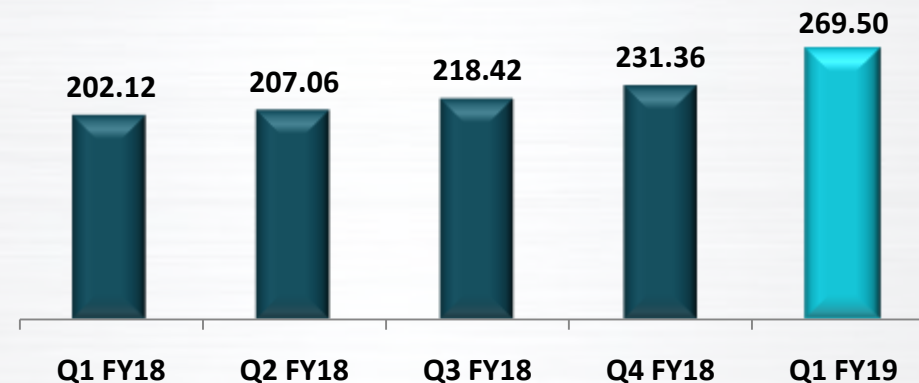


Quarterly Highlights – Q1 FY19

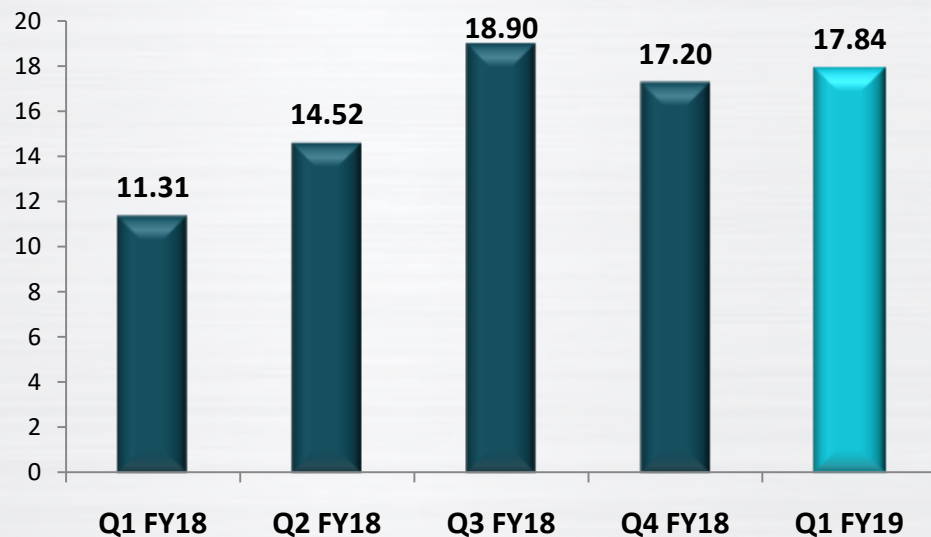
Sales Volumes (MT)



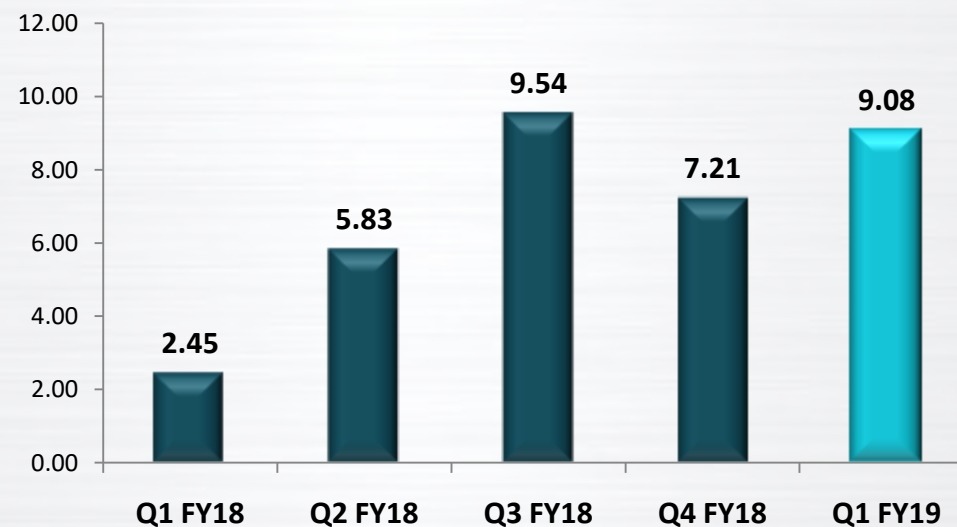
Net Revenue (Rs. Crore)



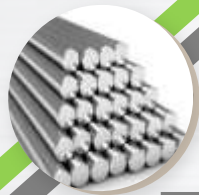
EBITDA* (Rs. Crore)



PAT (Rs. Crore)



*EBITDA is excluding Other Income



Quarterly Profitability Highlights – Q1 FY19

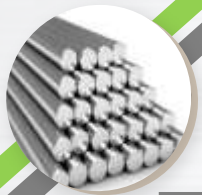


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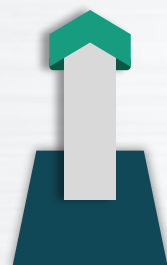
INR Crore	Q1 FY19	Q1 FY18	Y-o-Y %	Q4 FY18	Q-o-Q%
Income from Operations	269.50	221.05		231.36	
Excise Duty	0.00	18.93		0.00	
Net Sales	269.50	202.12	33.34%	231.36	16.49%
Cost of Materials Consumed	169.83	105.32		147.63	
Changes In Inventory	(13.64)	9.36		(20.44)	
Raw Material Expenses	156.19	114.68		127.19	
Employee Expenses	12.73	10.87		12.20	
Power & Fuel	33.31	30.63		27.99	
Other Expenses	49.43	34.63		46.78	
Total Expenditure	251.66	190.81		214.16	
EBITDA	17.84	11.31	57.74%	17.20	3.72%
Other Income	1.78	1.49		2.29	
Depreciation	5.66	4.63		6.31	
Interest / Finance Cost	4.88	5.72		5.91	
PBT	9.08	2.45	270.61%	7.27	
Tax	0.00	0.00		0.06	
PAT	9.08	2.45	270.61%	7.21	25.94%
Basic EPS in Rs.	2.54	0.95	167.37%	2.16	18.14%

A large industrial factory interior. In the foreground, several long, silver metal pipes are stacked horizontally. A blue crane with a white cabin is positioned on the right side, extending across the top of the frame. The background shows various industrial structures, including a large blue machine with a red circular component and a glowing orange metal bar. The overall scene is brightly lit, suggesting a large, open industrial space.

Annual Financial Highlights

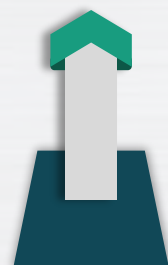


Annual Financial Highlights – FY18



16%

Volume (MT)
152,161 MT



27%

Revenue
Rs. 858.96 cr



3%

EBTIDA**
Rs. 61.93 cr



31%

PAT
Rs. 25.03 cr

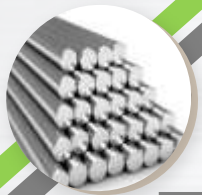


1%

EPS
Rs. 7.88 vs. Rs. 7.80* FY17

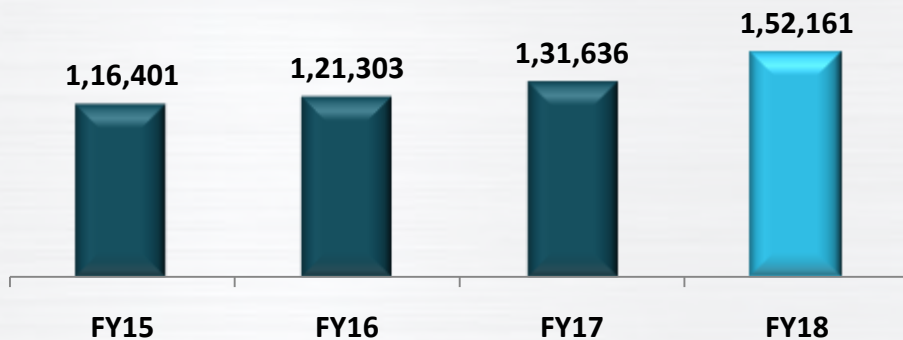
*Re-instated EPS w.r.t. Right Issue; **EBITDA is excluding Other Income

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

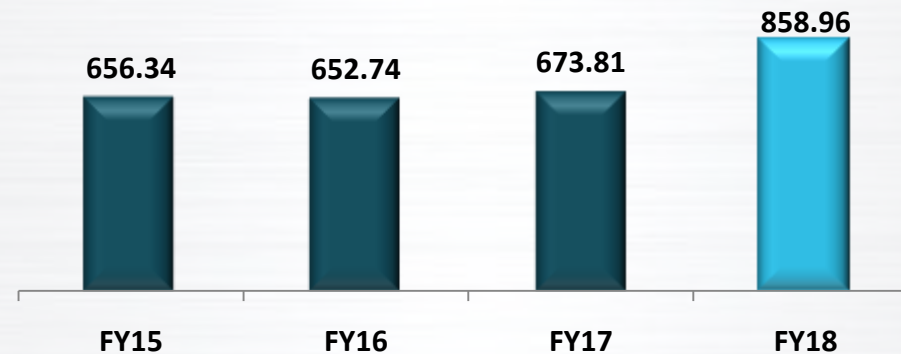


Annual Financial Highlights – FY18

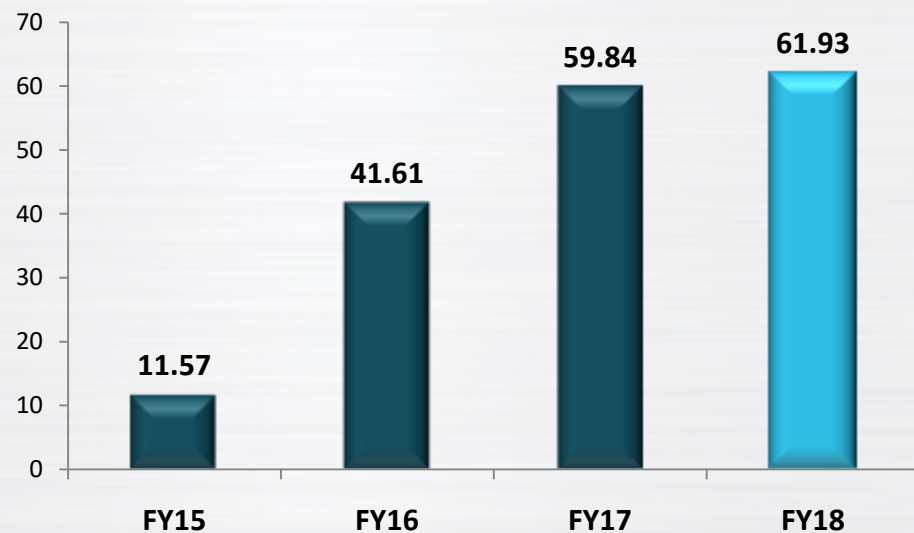
Volume (MT)



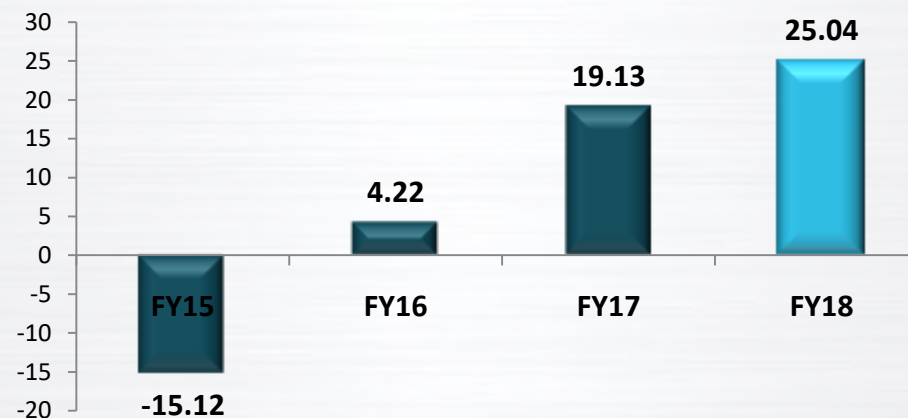
Net Revenue (Rs. Crs)



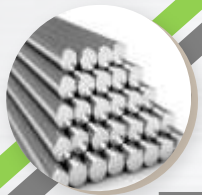
EBITDA* (Rs. Crs)



PAT (Rs. Crs) / Margin (%)



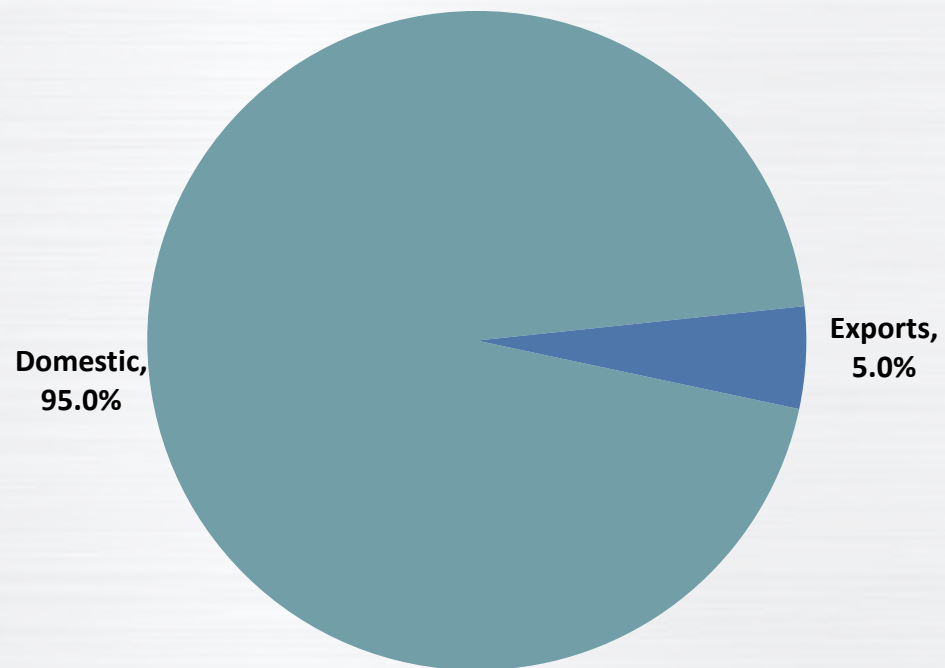
* EBITDA is excluding Other Income



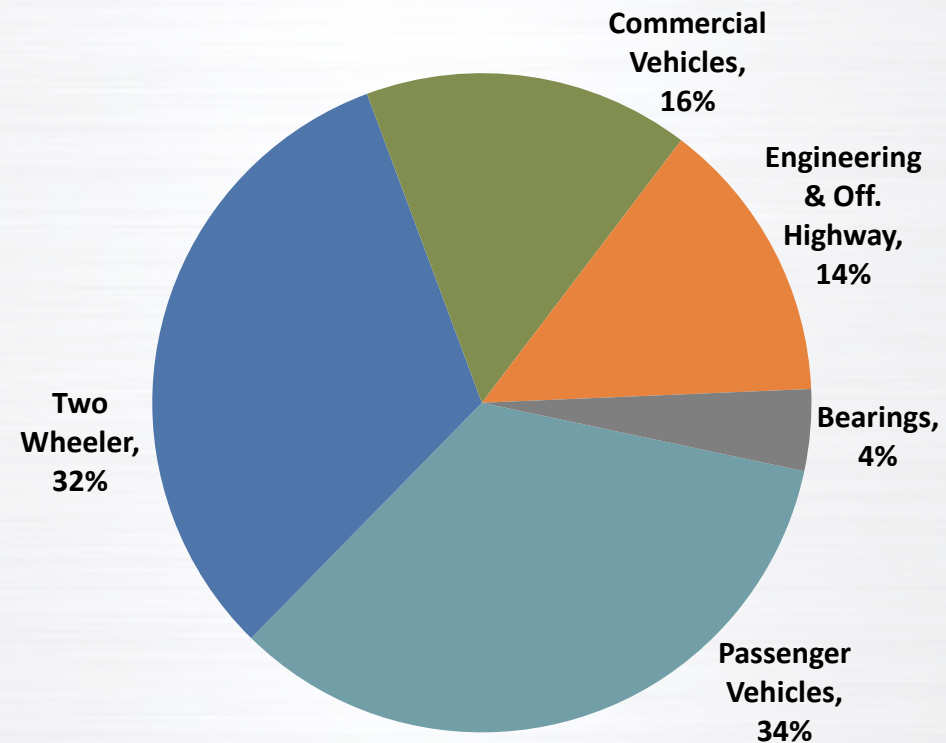
Revenue Break up – FY18

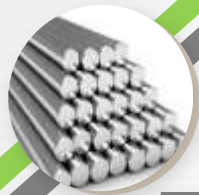


Geography Wise



Sector wise





Annual Financial Highlights – FY18

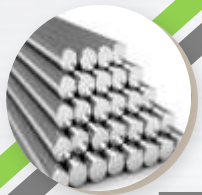


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INR Crore	FY18	FY17	Y-o-Y %
Income from Operations	877.89	753.13	
Excise Duty	18.93	79.32	
Net Sales	858.96	673.81	27.48%
Cost of Materials Consumed	488.90	364.22	
Changes In Inventory	(19.22)	(11.65)	
Employee Expenses	46.73	39.80	
Power & Fuel	127.81	109.48	
Other Expenses	152.81	112.11	
Total Expenditure	797.03	613.96	
EBITDA	61.93	59.85	3.47%
Other Income	6.10	5.64	
Depreciation	21.51	18.07	
Interest / Finance Cost	21.43	28.28	
PBT	25.09	19.15	31.03%
Tax	0.06	0.00	
PAT	25.03	19.15	30.72%
Basic EPS in Rs.	7.91	7.80*	1.03%

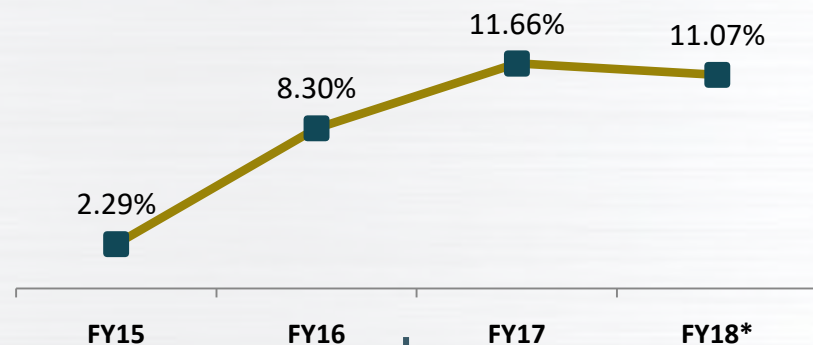
*Re-instated EPS w.r.t. Right Issue

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

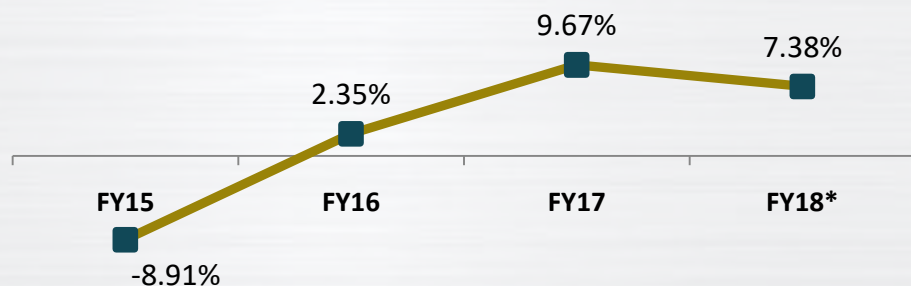


Annual Balance sheet Highlights – FY18

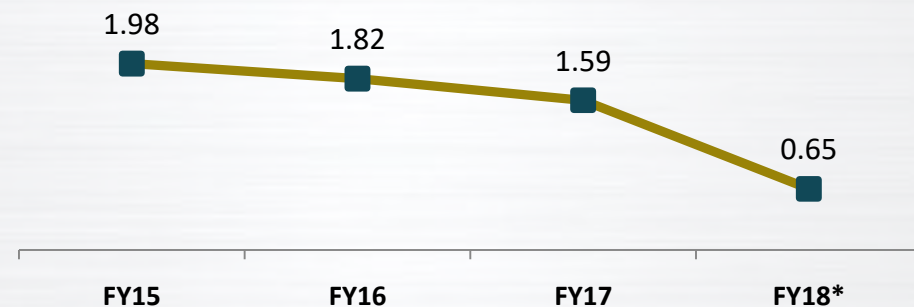
RoCE (%)



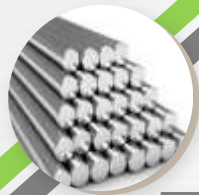
RoE (%)



Net 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 ; RoCE = EBITDA/(NW+Total Debt-Investments); Net Debt = Total Debt (includes Current Maturity of LT Debt) - Investments



Balance Sheet as on 31st March



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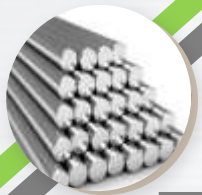
INR Crore	Mar'18	Mar'17
Equity*	339.32	198.08
Equity Share Capital	35.70	18.56
Other Equity	303.62	179.53
Non-current liabilities	102.33	116.46
Financial Liabilities		
(a) Borrowing	101.46	115.46
(b) Other Financial liabilities	0.00	0.00
Provisions	0.85	0.80
Deferred Tax Liabilities (Net)	0.00	0.00
Other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

INR Crore	Mar'18	Mar'17
Non Current Assets	278.83	277.60
Property Plant & Equipment	249.27	264.18
Capital work in progress	6.99	1.11
Other intangible assets	0.29	0.39
Financial Assets		
Long Term Investment	0.00	0.68
Long Term Loans	1.42	0.46
Other Non Current Assets	20.86	10.77
Current Assets	397.82	335.08
Inventories	158.60	117.83
Financial assets		
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
Total Assets	676.65	612.67

*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 is a collage of industrial scenes. On the right, a tall blue tower crane stands against a light sky. In the center, a worker in a blue shirt is visible, possibly operating machinery. The foreground is filled with various industrial components, including yellow pipes and metal structures. A white text box with a black border and two small black dots on either side is centered over the image.

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

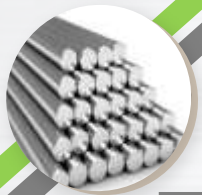
Strong International Customer Base for forging applications

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

Certifications

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





Journey So Far



VARDHMAN SPECIAL STEELS LTD.
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- **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

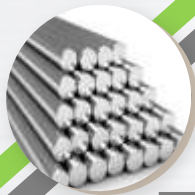
2015-16

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.
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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

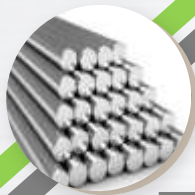
- Chartered Mechanical Engineer from Institute of Mechanical Engineers London
- Retired as General Manager from Indian Railways after 35years of service

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

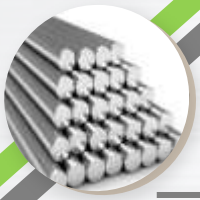
Mr. Rakesh Jain – Director

- Ph.d in Polymers from 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 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



Business Overview



Wide Range of Sizes for Rolled Products



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Hot Rolled Bars

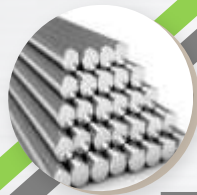


- Diameter Size : Increased from 25-70 MM in 2012 to 16-120 MM in 2017-18

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)



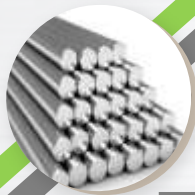
Rolling Mill

- **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

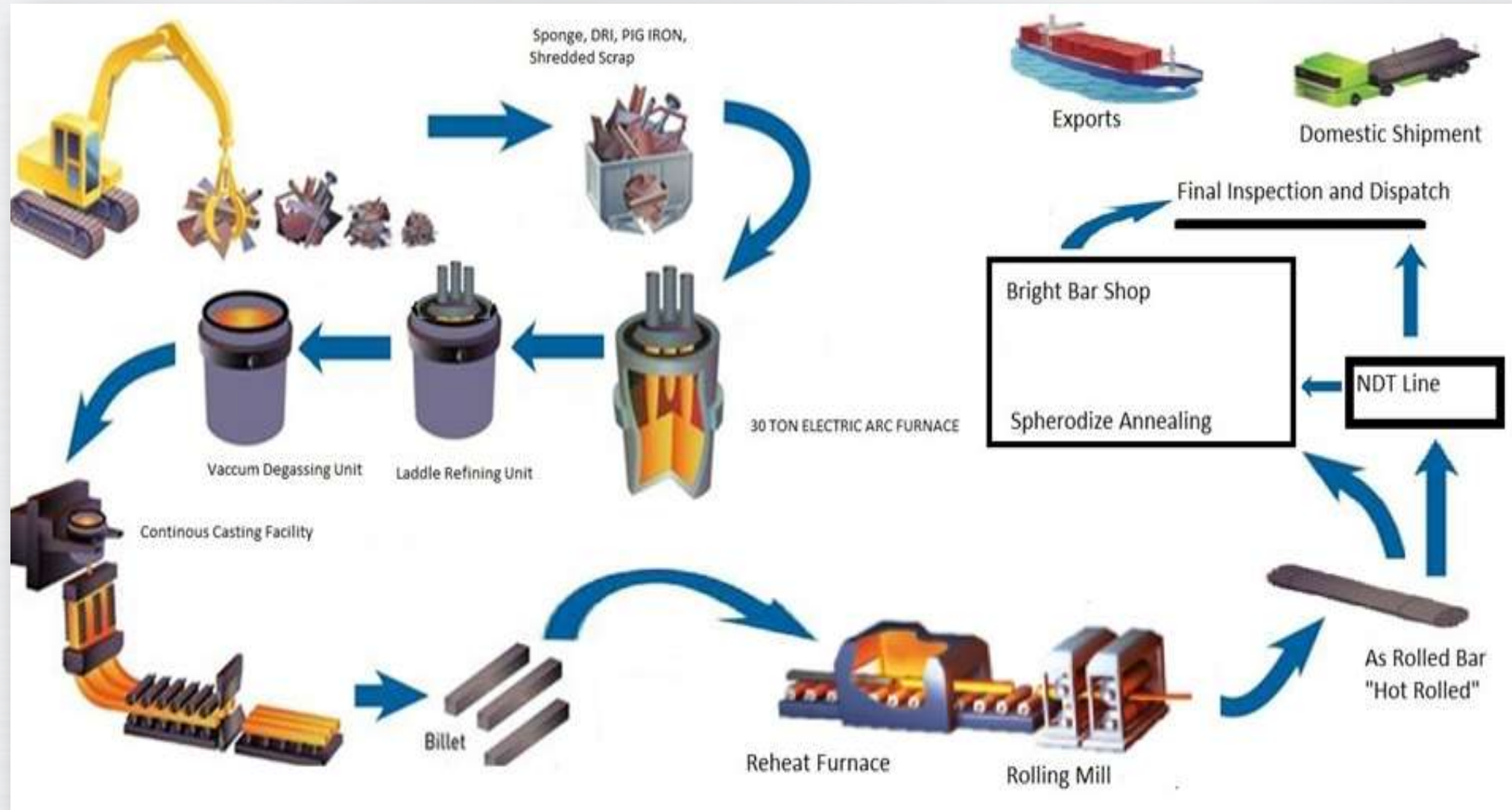


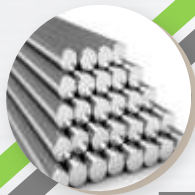
Bright Bars

- **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





Steel Melting Shop



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Electric Arc Furnace



Ladle Refining Furnace

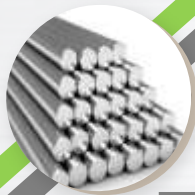


Continuous Casting Machine



Vacuum Degassing





Rolling Mill & Bright Bars



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Rolling Mill



Reheating Furnace



Rolling Mill

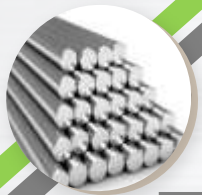
Bright Bar Shop



Spheroidizing & Annealing
Machines



Bright Bar Shop

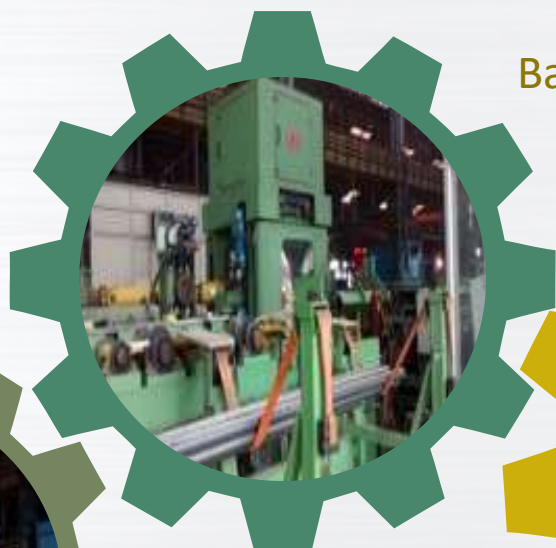


Automatic Line of Bar Inspection - NDT Line



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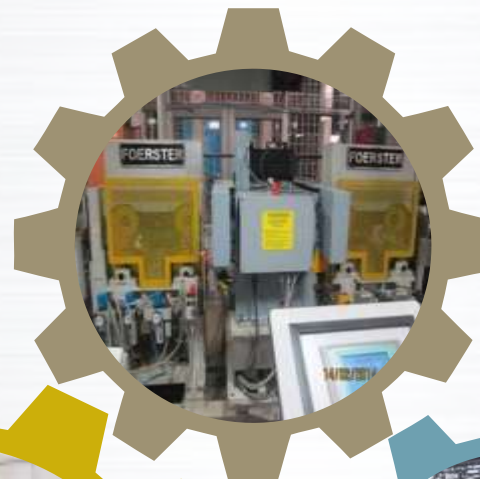
Straightening
Straightness : 2mm /
meter



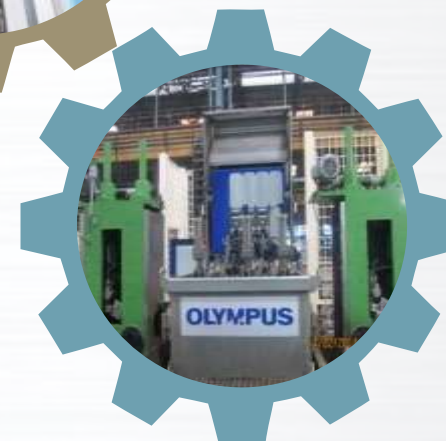
Chamfering
Bar ends free from
Burr



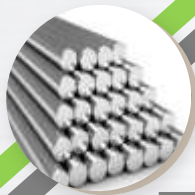
Shot Blasting



MFLT
Acceptance Criteria:
0.2x10mm



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



With best in class R&D Facility

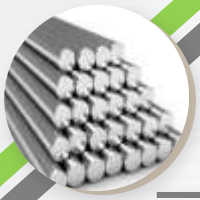


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- **Spectrometer** : ARL 4460:1454 for Chemical Analysis. It can check 32 different elements
- CS - 230 : Analyzer for Carbon & Sulfur content in steel
- **LECO gas analyzer** – TC 600 H₂, N₂, O₂ Analyzer
- Mobile Spectro and XRF for Mix up Testing 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"



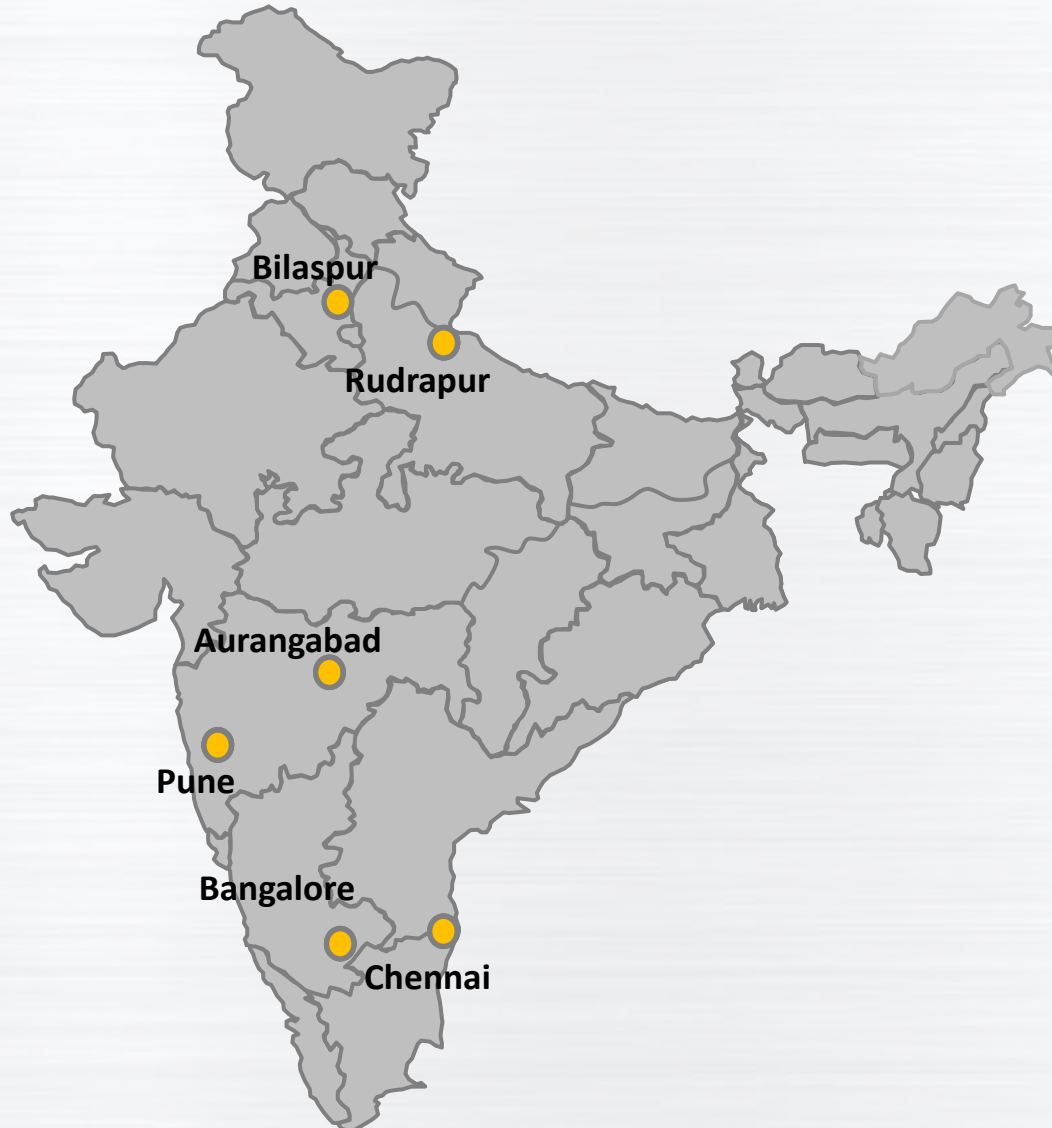
...ensuring highest levels of quality and compliance



Strategically located Warehousing Facilities

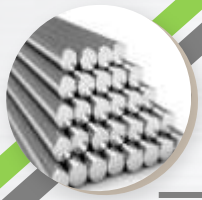


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- **One Owned Warehouse**
 - Bilaspur Haryana

- **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

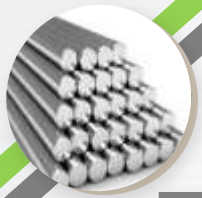
- Adherence to quality standards across all stages of manufacturing
- Checked for dimensional accuracy & temper at every stage
- Well equipped with all modern testing facilities to check for physical, mechanical and chemical properties

04

Brand Image

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

05

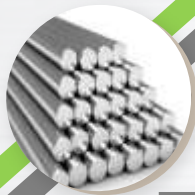


Strong Global Customer Base



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Reputed & long term customers



VARDHMAN SPECIAL STEELS LTD.
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Cars



Two wheelers



HCL/LCV



Auto Components



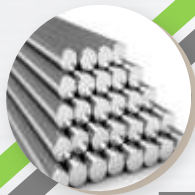
Tractor



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



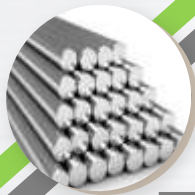
OHSAS 18001 : 2007 (non-accr.)



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**



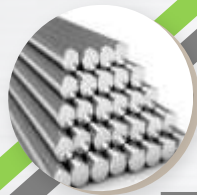
Technical Alliance

- **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



VSSL IN



VARM.BO

For further information, please contact:

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