



VARDHMAN SPECIAL STEELS LTD.

A COMMITMENT TO QUALITY

Vardhman Special Steels Limited

Q3 & 9M FY19

Result Update Presentation



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VARDHMAN SPECIAL STEELS LTD.

A COMMITMENT TO QUALITY

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Q3 & 9M FY19 Financial Highlights



Company Overview



Business Overview



Way Ahead

A construction site at sunset. A blue tower crane is on the right, with its jib extending across the top. In the center, a bundle of rebar is being lowered by a red hook. The background shows a large concrete structure under construction, with a bright sun setting behind it, casting a warm glow. The overall scene is hazy and atmospheric.

Q3 & 9M FY19 Financial Highlights



Management's Message



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

“During the nine-month ended FY19, we have registered good volume growth of around 12%. Although there is a temporary slowdown in the automobile industry, we have been able to deliver good growth, on account of our strong relationship with our clients. Also, this slowdown in the industry in a way is helping us to build our inventory for our upcoming planned shutdown in first quarter next year. This plant shutdown is to increase our steel melting shop capacity. We expect this planned capacity expansion will help us to achieve our future goals and consistently deliver superior performance.

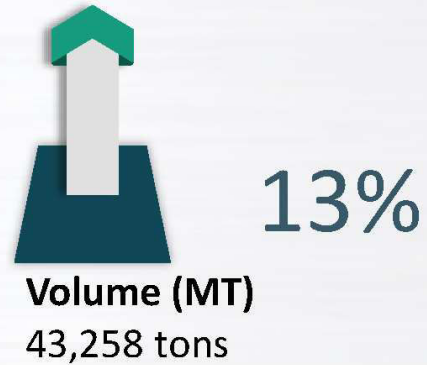
The consistent improvement in our operational efficiencies has enabled our Company to maintain EBITDA per tonne in the range of 4,500 – 6,000 per tonne, despite challenging scenario of increase in raw material costs.

Overall, we remain committed to our set 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 – Q3 FY19 (YoY)



- Growth in volume despite slowdown in automotive industry
- Increase in Revenue mainly on account of increase in sales volumes and higher realizations



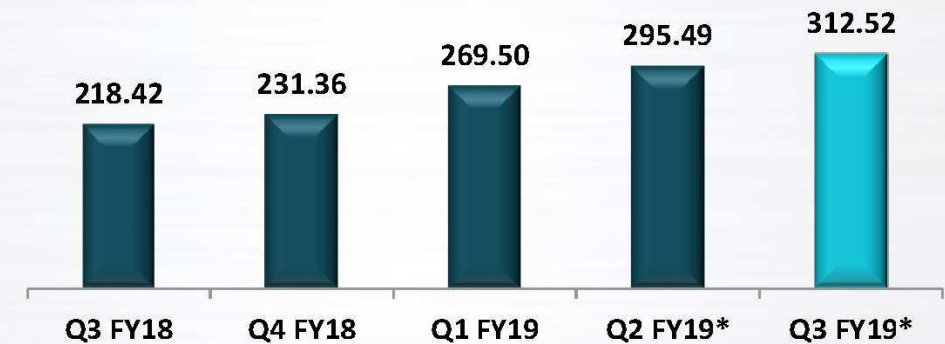
Financial Highlights – Q3 FY19



Sales Volumes (MT)



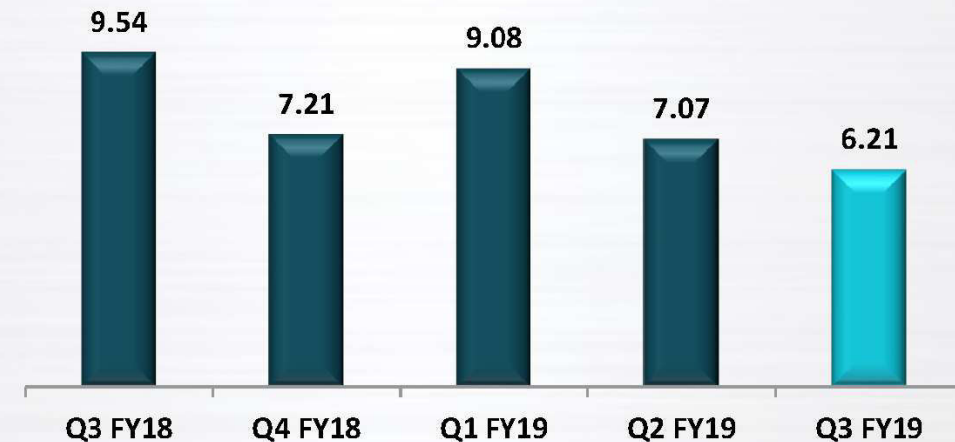
Revenue from Operations (Rs. Crore)



EBITDA (Rs. Crore)#



PAT (Rs. Crore)



* Includes sale of raw material and traded goods #EBITDA is including Other Income



Financial Highlights – Q3 FY19



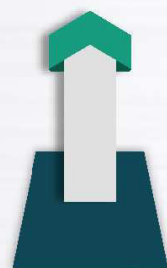
INR Crore	Q3 FY19	Q3 FY18	Y-o-Y %	Q2 FY19
Revenue from Operations	312.52*	218.42	43.08%	295.49*
Excise Duty	0.00	0.00		0.00
Other Income	0.40	0.98		1.23
Total Income	312.92	219.40	42.63%	296.72
Cost of Materials Consumed	235.67	123.61		183.15
Purchases of Stocks	17.11	0.00		14.65
Changes In Inventory	(60.01)	(9.25)		(15.68)
Raw Material Expenses	192.77	114.36		182.12
Employee Expenses	12.64	11.82		13.44
Power & Fuel	32.19	34.57		35.01
Other Expenses	52.94	38.77		49.60
Total Expenditure	290.54	199.52		280.17
EBITDA	22.38	19.88	12.58%	16.55
Depreciation	6.20	5.71		5.98
Interest / Finance Cost	6.54	4.63		5.64
PBT	9.64	9.54	1.05%	4.93
Tax	3.43	0.00		(2.14)
PAT	6.21	9.54	(34.91)%	7.07
Basic EPS in Rs.	1.74	2.97		1.98

- Deferred tax accounted in Q3 FY19 as against no tax paid in Q3 FY18 (due to accumulated losses)

* Includes sale of raw material and traded goods



Financial Highlights – 9M FY19



12%

Volume (MT)

1,27,313 MT



40%

Revenue from Operations*

Rs. 877.51 crore



21%

EBTIDA#

Rs. 58.54 crore



25%

PAT

Rs. 22.36 crore



6%

Basic EPS

Rs. 6.26 vs. Rs. 5.93 9M FY18

- Increase in Revenue mainly on account of increase in sales volumes and higher realizations
- EBITDA growth driven by higher operational efficiencies, despite increase in raw material costs

* Includes sale of raw material and traded goods ; #EBITDA is including Other Income



Financial Highlights – 9M FY19



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INR Crore	9M FY19	9M FY18	Y-o-Y %
Income from Operations	877.51*	646.53	
Excise Duty	0.00	18.93	
Revenue from Operations	877.51	627.60	39.82%
Other Income	1.33	3.81	
Total Income	878.84	631.41	39.19%
Cost of Materials Consumed	588.65	341.27	
Purchases of Stocks	31.76	0.00	
Changes In Inventory	(89.33)	1.22	
Raw Material Expenses	531.08	342.49	
Employee Expenses	38.81	34.53	
Power & Fuel	100.51	99.82	
Other Expenses	149.90	106.03	
Total Expenditure	820.30	582.87	
EBITDA	58.54	48.54	20.60%
Depreciation	17.84	15.20	
Interest / Finance Cost	17.05	15.52	
PBT	23.65	17.82	
Tax	1.29	0.00	
PAT	22.36	17.82	25.48%
Basic EPS in Rs.	6.26	5.93	5.56%

* Includes sale of raw material and traded goods



Balance Sheet as on 30th Sept'18



VARDHMAN SPECIAL STEELS LTD.
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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.

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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
 - Billets - 2,00,000 MTPA
 - Rolled Bars – 1,80,000 MTPA



Vardhman

Reputed and long term customers

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

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

Continuous Focus on improving Capital Structure

- Debt reduced from Rs. 350 Crs in FY15 to Rs. 279 Crs As on 30th September 2018
- Raised Rs. 118 cr through Rights Issue and QIP to repay debt and fund ongoing capex



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 TPA of special & alloy steels
- **1986** - Acquired another plant, Mohta Alloys in Ludhiana, with installed capacity of 1,00,000 TPA
- **2010** - Incorporated as independent identity under Vardhman Group - earlier unit of Vardhman Textiles
- **2013** – Installed fully automatic rolling mill with capacity of 1,50,000 TPA & Magnaflux leakage testing system (Dr. Foerster Germany), and Ultrasonic Testing from (Olympus, Canada)
- **April 2017** – Raised Rs 67.85 cr by Right Issue
- **Oct. 2017** – Purchased ~8 acres of adjoining land at Ludhiana for Rs. 36 Cr plus government duties

1973-86

1995-01

2010-14

2015-16

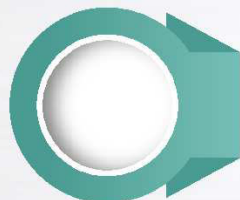
2016-17

2018-till date

- **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
- **July 2015** – Installed Fume Extraction system for pollution & dust control
- **Aug 2015** – Increased capacity of Bright bars to 36,000 TPA & 1,80,000 TPA for Hot Rolled
- **Dec 2016** - Upgraded transformer & allied equipment to reduce melting time & resulting in SMS capacity to 1,65,000 TPA
- **Feb. 2018** – Raised Rs. 50 Cr through QIP
- **June 2018** – Upgrade in long term borrowing rating to CRISIL AA from AA-
- **August 2018** – Change in Statutory Auditors to M/s B. S. R. & Co. LLP from M/s S. S. Kothari Mehta & Co.
- **2019** – Fortified Board of Directors - added Independent Woman Director

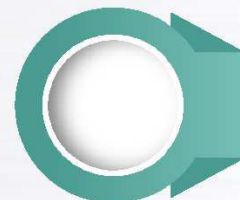


Strong & Experienced Board of Directors



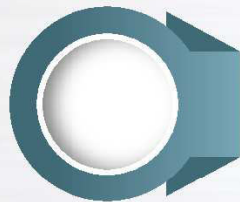
Mr. Rajeev Gupta – Chairman & Independent Director

- B. Tech from BHU/IIT, Varanasi and MBA (IIM, Ahmedabad)
- Rich experience of more than 34 years - One of Country's topmost Investment Bankers



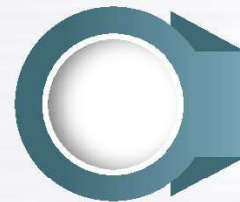
Mr. Sachit Jain – Vice Chairman & MD

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



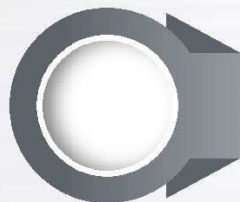
Ms. Suchita Jain – Non-Executive Director

- 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



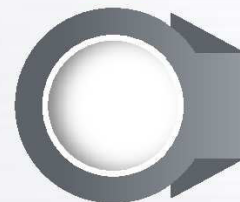
Mr. Rajinder Kumar Jain – Non-Executive Director

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



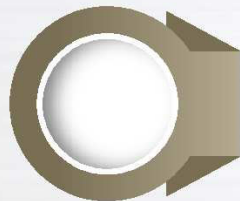
Mr. B.K. Choudhary – Non-Executive Director

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



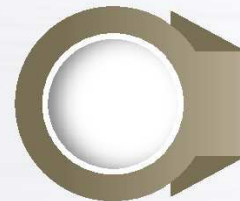
Mr. Rakesh Jain – Independent Director

- 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 & Aditya Birla Group (ABG) as MD of Indo Gulf Fertilizers Ltd



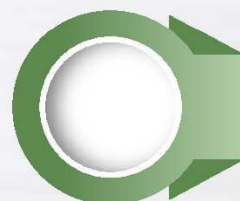
Mr. Sanjeev Pahwa – Independent Director

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



Mr. Sanjoy Bhattacharyya – Independent Director

- B.Sc (Statistics Honours) and MBA. from IIM, Ahmedabad
- More than 20 years of experience in equities & investment management - Among leading stock market Gurus



Ms. Shubhra Bhattacharya – Independent Director

- Bachelor's degree in Mathematics and MBA from Xavier's Labour Relations Institute
- More than 25 years of experience in Human Resource Management



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 TPA**
- 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 TPA**
- Rolling Mill installed in 2013-14
- 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

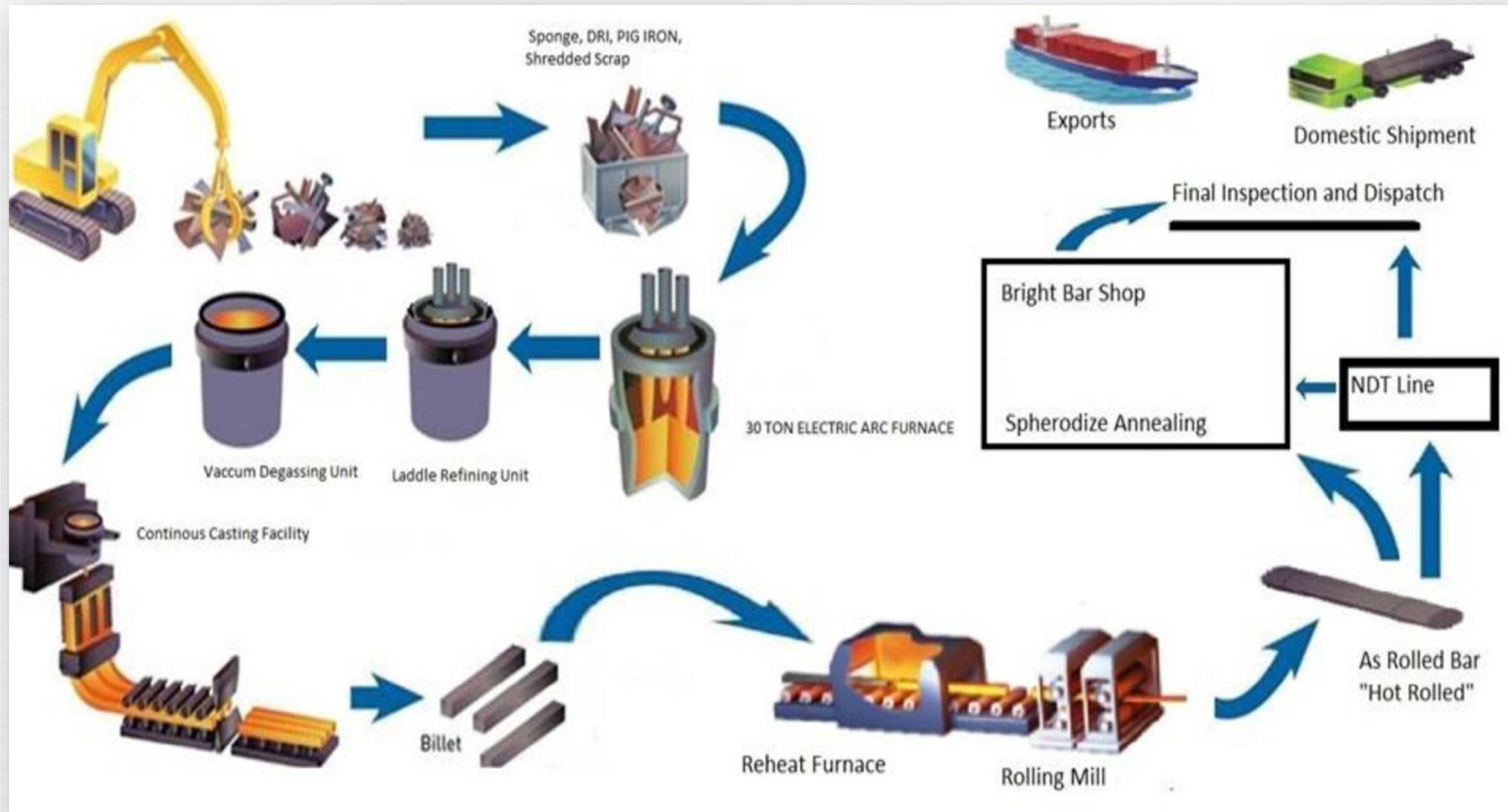


Bright Bars

- **Annual Capacity : 36,000 TPA**
- **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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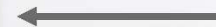
Electric Arc Furnace



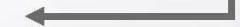
Ladle Refining Furnace



Continuous Casting Machine



Vacuum Degassing





Rolling Mill & Bright Bars



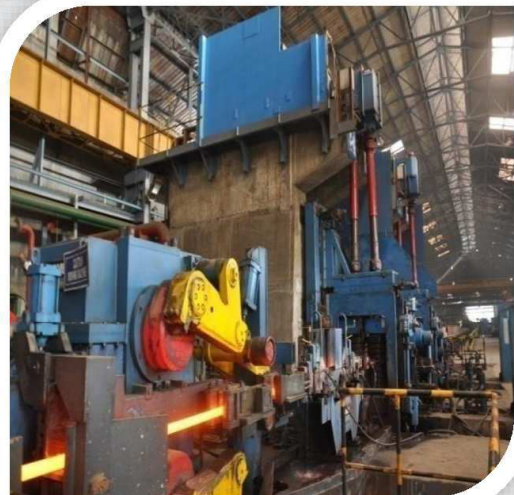
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Rolling Mill



Reheating Furnace



Rolling Mill

Bright Bar Shop



Spheroidizing & Annealing
Machines



Bright Bar Shop

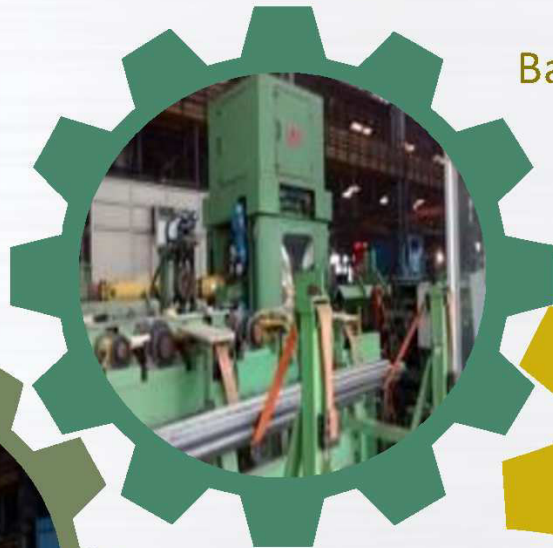


Automatic Line of Bar Inspection - NDT Line



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Straightening
Straightness : 2mm /
meter



Chamfering
Bar ends free from
Burr



MFLT
Acceptance Criteria:
0.2x10mm



Shot Blasting



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"
- **XRF Spectrometer** - Higher range & All input/ output material can be checked and chemically analysed



...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



VARDHMAN SPECIAL STEELS LTD.
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Reputed & long term customers



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Cars



Two wheelers



HCL/LCV



Auto Components



Tractor



Automotive Off Highway



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



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Capacity Expansion

- Increase melting capacity to 2,40,000 TPA and Rolling Capacity to 2,20,000 TPA BY FY21 - 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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BSE
EXPERIENCE THE NEW

534392

NSE
National Stock Exchange of India Limited

VSSL

Bloomberg

VSSL IN

REUTERS

VARM.BO

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