



Vardhman

VARDHMAN SPECIAL STEELS LIMITED

Delivering Excellence. Since 1965.

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Ref. VSSL:SCY:NOV:2019-20

DATED: 05-Nov-2019

The Deputy General Manager,
Corporate Relationship Deptt,
Bombay Stock Exchange Limited,
1st 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

**SUB: COMPLIANCE OF REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND
DISCLOSURE REQUIRMENTS) REGULATIONS 2015.**

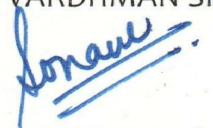
Dear Sir,

Pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find enclosed herewith Investor Presentation on financial results of the Company for the quarter/ half-year ended 30th September, 2019.

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

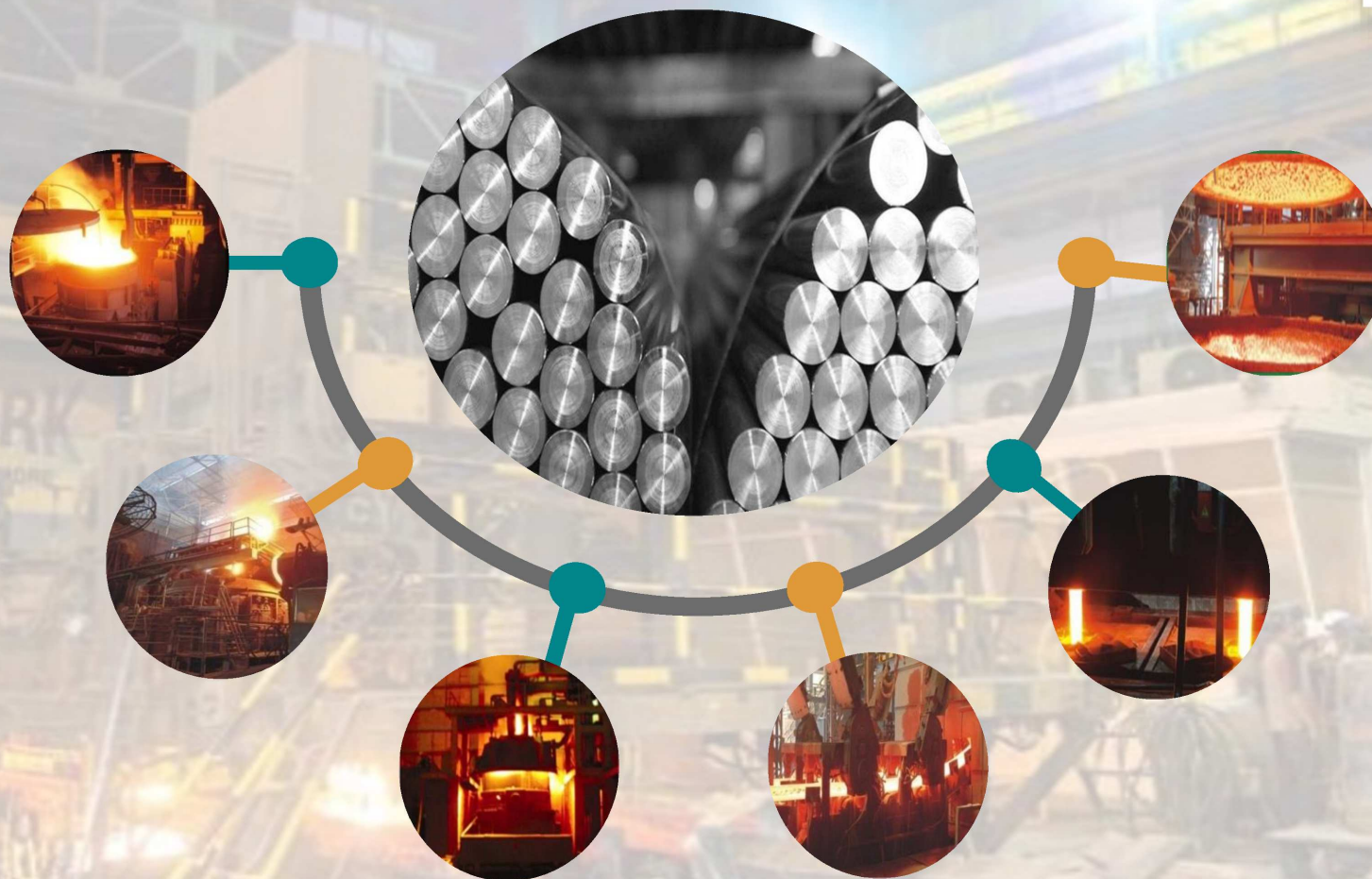
Thanking you,

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 Limited

Result Update Presentation
Q2 & H1 FY20

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Financial Highlights



Company Overview



Business Overview



Way Ahead

The background image shows a large industrial facility, likely a steel mill. A tall blue crane is positioned on the right side. In the center, there are large blue and red industrial machines. A glowing orange-red metal rod is visible in the lower left. The overall scene is industrial and brightly lit.

Financial Highlights

Management's Message



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

“During the first half of FY20, we continued to witness the slow down in the overall auto industry leading to a lower than expected financial performance of the Company. The current market slowdown adversely affected the entire value chain, resulting in lower demand leading to drop in our volumes and realizations. The inventory build-up during the planned shutdown took care of a large part of product demand during the quarter, as incremental order flow and lifting of products by OEMs was way lower than expected. The raw material prices continued to witness a declining trend. To put in a nutshell, drop in product prices, lower production on account of suppressed demand, higher operating costs, inventory loss due to decline in raw material prices resulted in lower realizations has led to a depressed financial performance in Q2FY20. But I am happy to share that the new furnace is now installed and working well – one of the smoothest starts post the shutdown . This calendar year has thrown challenges at us in the most unexpected ways. While these have been great learnings, we hope that the worst is behind us and feel that we are definitely much better prepared for the future opportunities that lie ahead of us.

On a positive note, I am extremely happy to share that our dream of joining hands with a reputed global special steel manufacturer has come true after eight years of patience, persistence and perseverance. We have entered into an alliance with the Japanese Company - Aichi Steel Corporation (main material supplier to the Toyota Group), which is among leading global alloy steel manufacturers. This alliance will not only give our Company access to the latest technology & know-how, enhance operational efficiencies, open newer markets across geographies and develop a wider range of product offerings, but also pave the way for future green field/brown field expansion leading to long term stakeholder value creation.

Overall, we remain committed to our set agenda of delivering consistent, profitable volume led growth. I thank all the stakeholders of ‘Vardhman Special Steels Limited’ for their continued support and faith in our Company”

Recent Developments



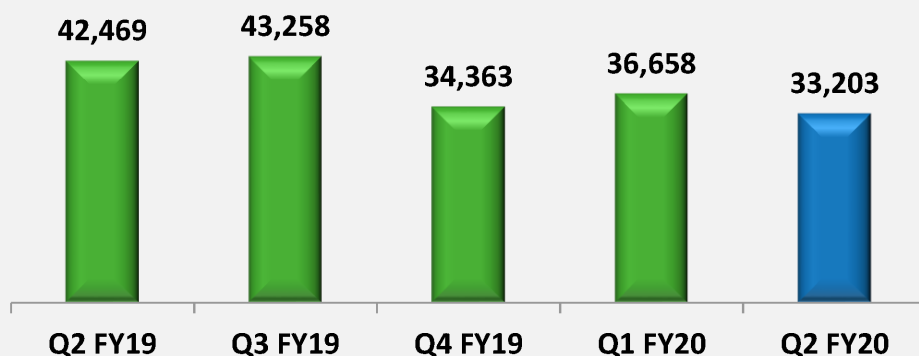
- *During first half Company had undertaken shutdown of approximately two months of steel melting shop (SMS) in order to upgrade and modernize SMS facilities as per planned strategy and to meet future goals of Company*
- *Appointment of Additional Director - Mr. Takashi Ishigami - representative of Aichi Steel Corporation*

*Strategic stake sale to **Aichi Steel Corporation (ASC)***

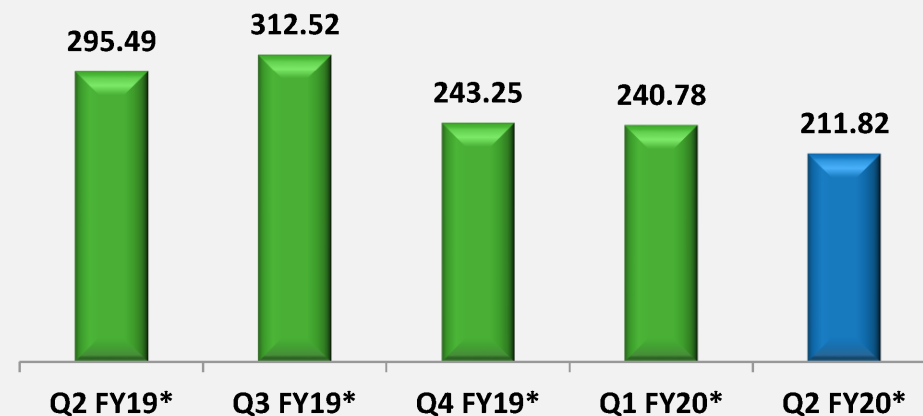
- *Members of Company resolved and approved issuance of 46,29,629 fully paid equity shares of Rs 10 at a price of Rs 108 per share on preferential basis to Aichi Steel Corporation (ASC) incorporated in Japan, aggregating to Rs. 49,99,99,932/- resulting to 11.46% equity stake in VSSL*
- *Aichi Steel Corporation founded in 1940 (main material supplier to Toyota Group) is among leading manufacturer of special steels and consistently provides high quality materials, to the global automotive industry. The Company pursues limitless potential of materials to create new value and contribute to sustainable society and earth. It also focuses on contributing towards creation of prosperous society through provision of optimal and sought-after materials to wide range of industries centred on automotive industry*
- *Consolidated sales of ASC in FY19 was over 2,57,315 million yen (approx. Rs. 17,000 crores) with steel segment contributing around 51% of revenues and operating profit was over 11,119 million yen (approx. Rs. 740 crore) where 83% of profits were from steel segment*

Financial Highlights - Quarterly

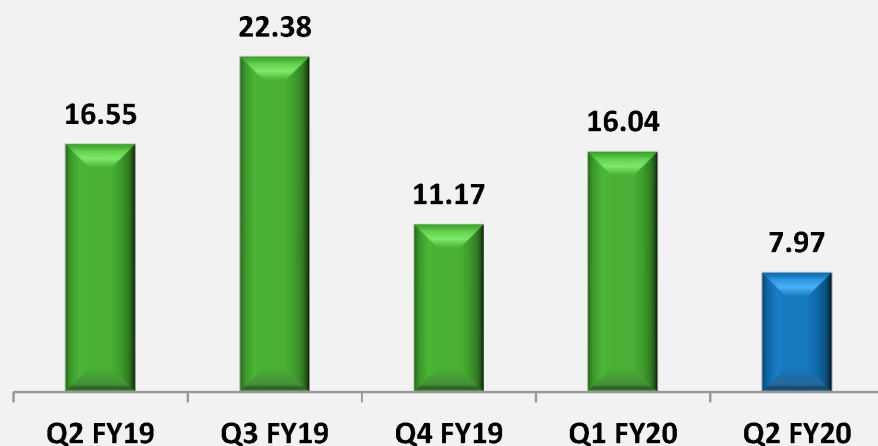
Sales Volumes (tonnes)



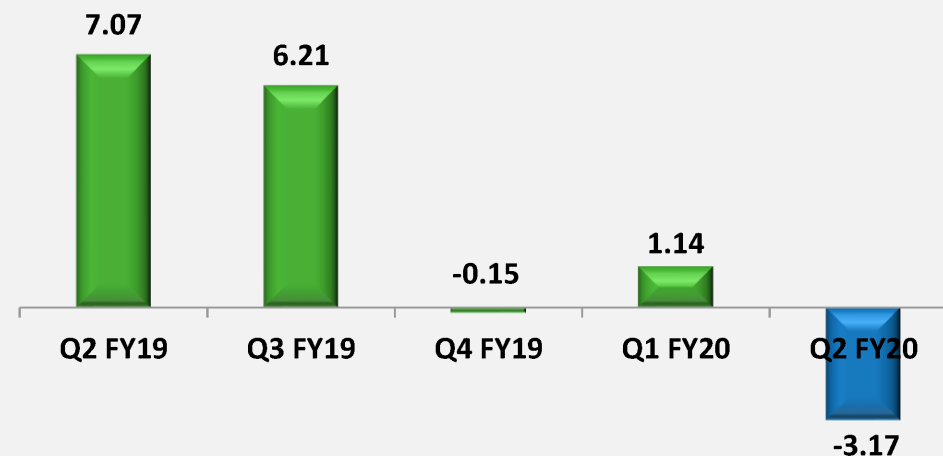
Revenue from Operations (Rs. Crore)



EBITDA (Rs. Crore)#



PAT (Rs. Crore)



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

Financial Highlights – Q2 FY20



INR Crore	Q2 FY20	Q2 FY19	Y-o-Y %	Q1 FY20
Revenue From Operations*	211.82	295.49		240.78
Other Income	5.37	1.23		0.66
Total Income	217.19	296.72	(26.80%)	241.44
Cost of Materials Consumed	56.70	183.15		121.32
Purchases of Stocks	0.19	14.65		4.11
Changes In Inventory	99.77	-15.68		22.22
Raw Material Expenses	156.67	182.12		147.64
Employee Expenses	11.08	13.44		12.06
Power & Fuel	14.46	35.01		28.26
Other Expenses	27.02	49.60		37.43
Total Expenditure	209.22	280.17		225.40
EBITDA	7.97	16.55	(51.82%)	16.04
Depreciation	6.34	5.98		6.11
Interest / Finance Cost	6.54	5.64		8.11
PBT	(4.90)	4.93		1.81
Tax	(1.73)	(2.14)		0.67
PAT	(3.17)	7.07	(144.81%)	1.14
Basic EPS in Rs.	(0.88)	1.98		0.32

- Q2 FY20 volumes stood at 33,203 tons YoY decline of 22% on account of lower demand from automotive industry
- Decline in revenue mainly on account of decline in volumes and pricing
- Lower volumes, pricing and inventory loss due to decline in raw material price leading to decrease in EBITDA

* Includes sale of raw material, billets and traded goods

Financial Highlights – H1 FY20



INR Crore	H1 FY20	H1 FY19	Y-o-Y %
Revenue From Operations	452.60	564.99	
Other Income	6.03	3.01	
Total Income	458.63	568.00	(19.26%)
Cost of Materials Consumed	178.02	352.98	
Purchases of Stocks	4.30	14.65	
Changes In Inventory	121.99	(29.32)	
Raw Material Expenses	304.31	338.31	
Employee Expenses	23.14	26.17	
Power & Fuel	42.72	68.32	
Other Expenses	64.45	99.03	
Total Expenditure	434.62	531.83	
EBITDA	24.01	36.17	(33.62%)
Depreciation	12.45	11.64	
Interest / Finance Cost	14.65	10.52	
PBT	(3.09)	14.01	
Tax	(1.06)	(2.14)	
PAT	(2.03)	16.15	(112.57%)
Basic EPS in Rs.	(0.57)	4.52	

* Includes sale of raw material and traded goods

Balance Sheet Highlights

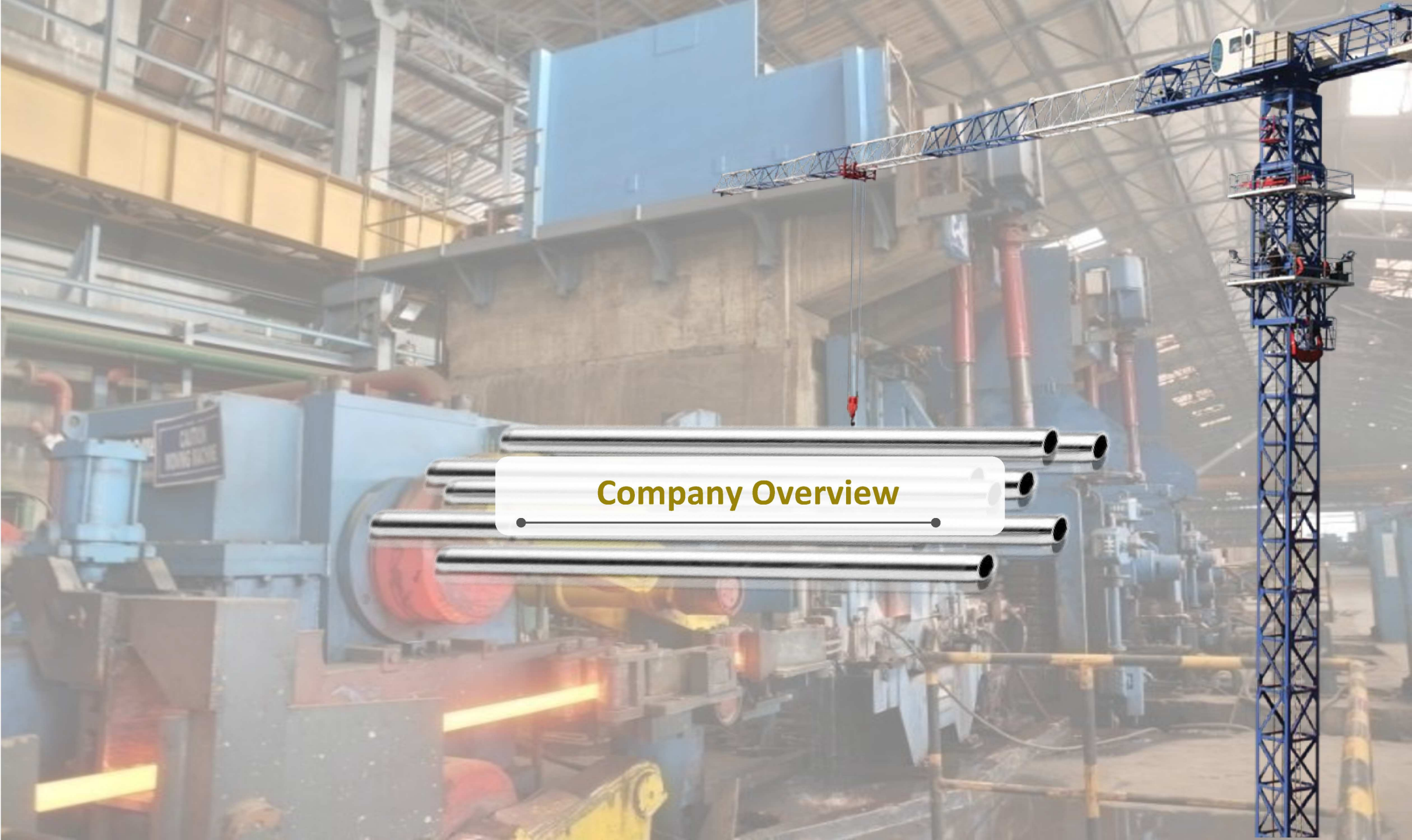


INR Crore	As on 30 th Sept'19	As on 31 st Mar'19
Equity*	360.01	361.99
Equity Share Capital	35.76	35.76
Other Equity	324.24	326.23
Non-current liabilities	130.54	136.53
Financial Liabilities		
(a) Borrowing	127.85	135.13
(b) Other Financial liabilities	0.16	0.14
(c) Lease Liability	1.22	0.00
Provisions	1.08	1.01
Other Non-Current Liabilities	0.23	0.25
Current liabilities	258.08	390.81
Financial Liabilities		
Borrowings	154.77	186.81
Due to Micro, Small & Medium Enterprises	1.62	3.37
Other Trade Payables	49.29	160.13
Other Financial Liabilities	45.48	36.89
Lease Liability	0.09	0.00
Provisions	0.30	0.53
Other Current Liabilities	6.53	3.08
Total Equities & Liabilities	748.63	889.33

INR Crore	As on 30 th Sept'19	As on 31 st Mar'19
Non-Current Assets	359.43	343.51
Property Plant & Equipment	312.38	279.53
Right of Use Asset	1.27	0.00
Capital work in progress	14.36	32.57
Other intangible assets	0.28	0.30
Financial Assets		
Long Term Loans	0.83	0.69
Deferred Tax Assets (Net)	15.40	14.23
Current Tax Assets (Net)	2.67	2.12
Other Non-Current Assets	12.23	14.07
Current Assets	389.20	545.82
Inventories	187.82	313.22
Financial assets		
Investments	8.01	0.01
Trade receivables	162.44	187.26
Cash & Cash equivalents	4.65	0.28
Loans	1.15	1.03
Other financial assets	0.82	7.78
Current tax assets	0.00	0.00
Investment held for sale	9.63	0.00
Other Current Assets	14.68	36.24
Total Assets	748.63	889.33

- Inventory buildup took care of large part of demand during planned plant shutdown in Q2 FY20

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

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Company Overview

About Us

Amongst India's Leading Steel Bar Producers for Automotive Applications

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

Specialized Product offerings –

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

200+ Reputed and long term customers

- Toyota, Hero Moto Corp, Caterpillar, Hino Motors, Maruti, Bajaj and Hyundai, among others

Experienced Management Team

- Significant experience in Steel Industry
- Long term vision and proven ability to achieve long term goals for Company

State-of-art manufacturing facilities

- Cutting-edge manufacturing technology
- Manufacturing Capacity
 - Billets - 2,00,000 MTPA
 - Rolled Bars – 2,00,000 MTPA

Strong Domestic & International Customer Base for forging applications

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

Quality Standards, Assurance & Certifications

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



Journey So Far

What We were...

- **1973** – Started as Oswal Steels - 50,000 TPA capacity of special & alloy steels
- **1986** - Acquired Mohta Alloys with capacity of 1,00,000 TPA
- **1995** – Installed modern Steel Melting Shop with Electromagnetic Stirrer
- **2000** – Commissioned Vacuum Degassing System
- **2001** - Strengthened product portfolio – added Bright Bar Facility
- **2010** - Independent identity under Vardhman Group

1973- 2011

- **2012** - Listed on BSE & NSE
- **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)
- **July 2015** – Installed Fume Extraction system
- **Aug 2015** – Increased Bright bars capacity to 36,000 TPA & 1,80,000 TPA for Hot Rolled

2012 - 2015

- **Dec 2016** – Upgraded transformer & allied equipment to reduce melting time & resulting in SMS capacity to 1,65,000 TPA
- **April 2017** – Rights Issue of Rs 67.85 Cr.
- **Oct 2017** – Purchased ~8 acres of adjoining land for Rs. 36 Cr.

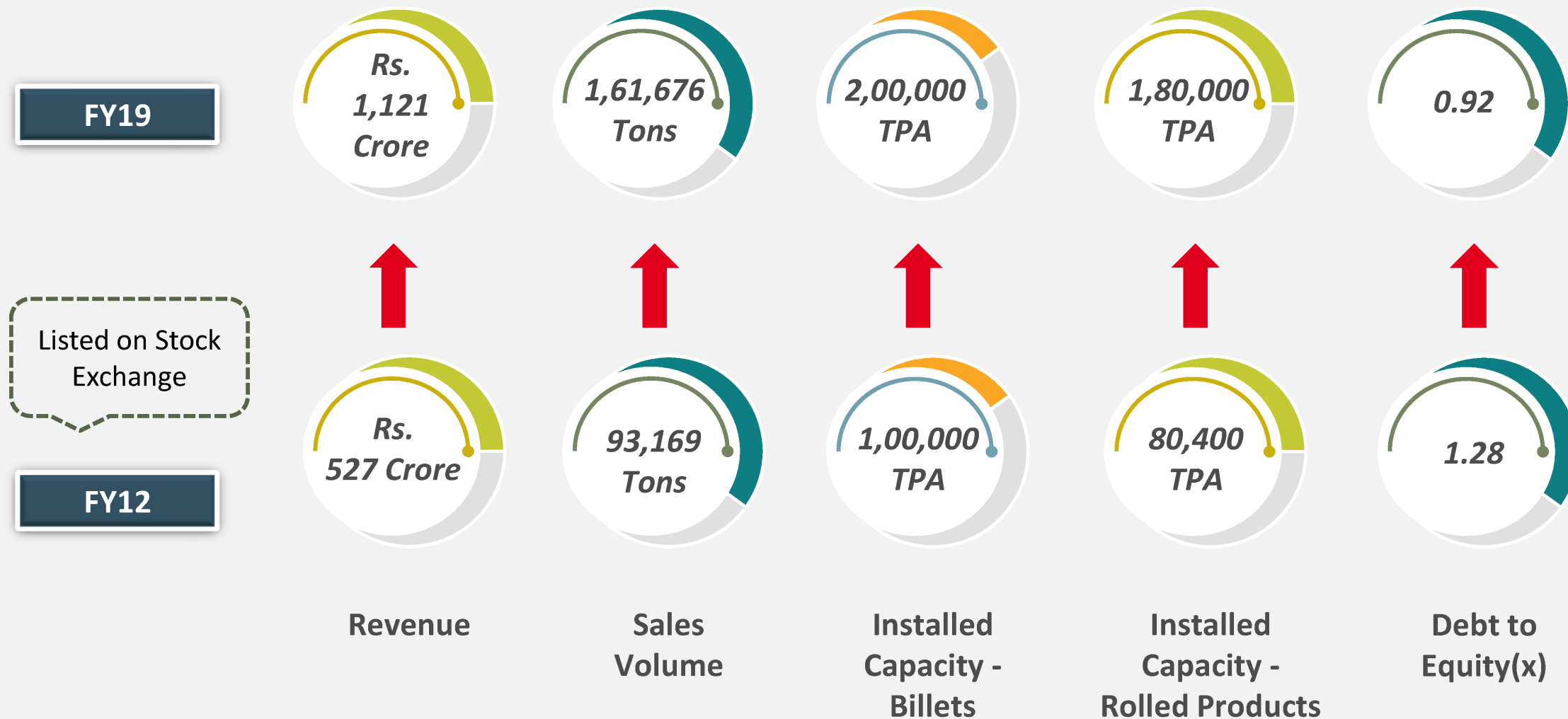
2016 - 2017

- **Feb. 2018** – QIP of Rs 50 Cr.
- **June 2018** – CRISIL upgraded credit rating
- **August 2018** – Change in Statutory Auditors to M/s B. S. R. & Co. LLP
- **Feb 2019** – Fortified Board of Directors -one Independent Woman Director and one Additional Director appointed
- **Sept 2019** – Replacement of electric arc furnace and other related activities
- **Nov 2019** – Signs Technical Assistance Agreement with Aichi Steel Corporation - Issuance of preferential shares worth Rs. 50 Cr.
- Appointed Additional Director as representative of Aichi Steel Corporation

2018 – Till Date

.... Transforming into one of India's leading steel bar producers

Clear focus on long term Value Creation



Strong Experienced Board of Directors contd...



Mr. Rajeev Gupta **Chairman & Independent Director**

- B. Tech from BHU/IIT, Varanasi and MBA (IIM, Ahmedabad)
- Rich experience of more than 35 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
- Representative of Vardhman Group



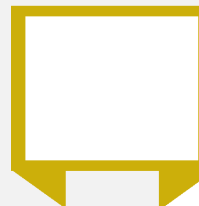
Mr. Rajinder Kumar Jain **Non-Executive Director**

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



Mr. Sanjoy Bhattacharyya **Independent Director**

- B.Sc (Statistics Honours) and MBA. from IIM, Ahmedabad
- More than 21 years of experience in equities & investment management - Among leading stock market Gurus



Mr. Takashi Ishigami **Non-Executive Director**

- Representative of Aichi Steel Corporation
- Completed Education from Yamanashi University
- Over 40 years of rich experience in Steel Industry

Strong Experienced Board of Directors contd...



Mr. B.K. Choudhary Non-Executive Director

- Degree in B.Sc., M.Com & MBA
- Rich experience of more than 44 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 26 years in bicycle/automobile tyres and tubes industry
- Chairman-cum-MD of Ralson (India) Ltd. – Largest tyre manufacturer in the World



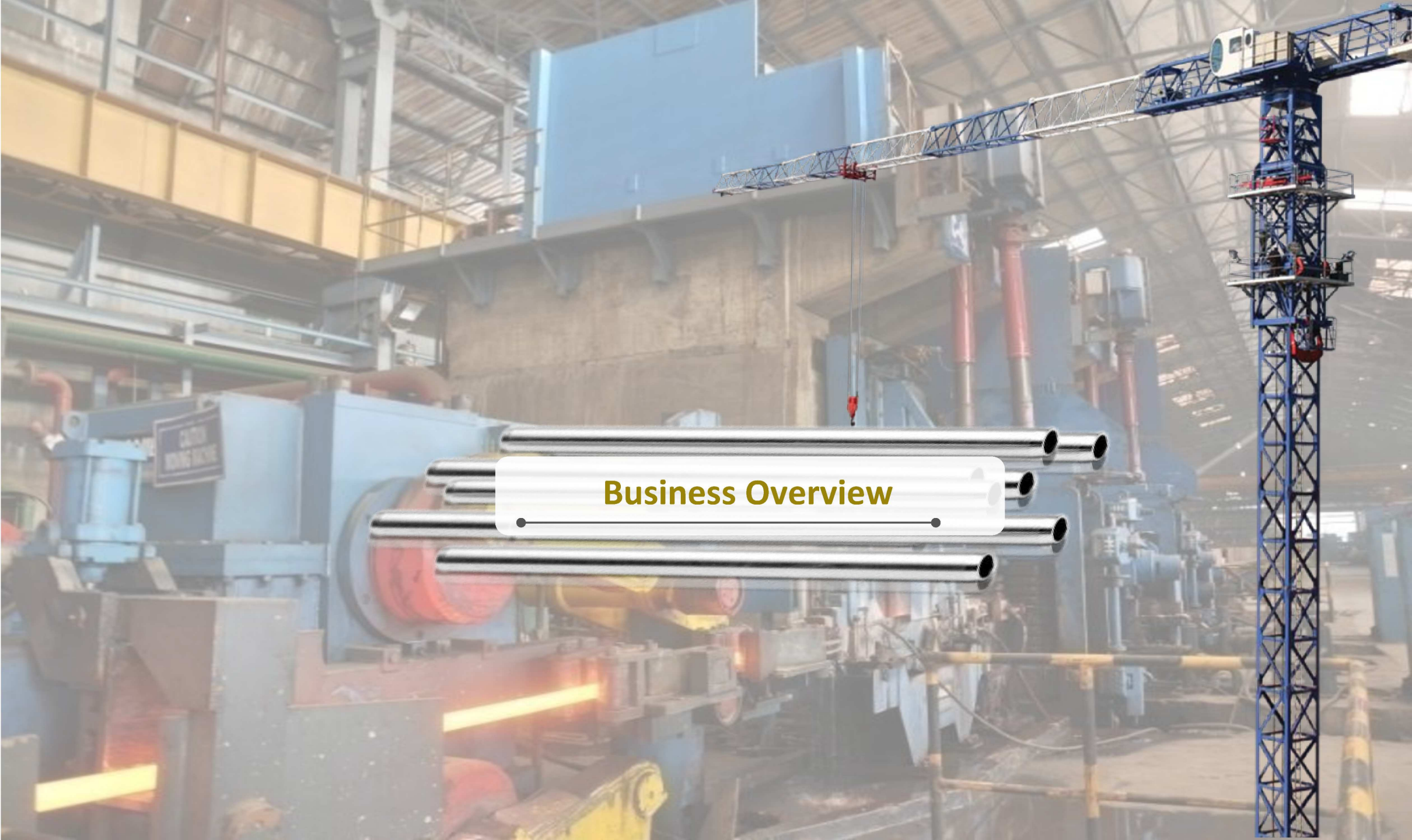
Ms. Shubhra Bhattacharya Independent Director

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



Mr. Raghav Chandra Independent Director

- B.Sc (Hons.); M.Sc in Mathematics; Master's in Public Administration, Harvard University & Various professional career trainings from Cambridge University, SIPA Columbia University, USA, IIM Ahmedabad
- Additional Secretary & Financial Advisor – various Ministries; Chairman - NHAI; CMD Indian Highway Management Co. Ltd.; Principal Secretary- Urban Development, MP; Commissioner and CEO - MP Housing Board; MD- MP SIDC; Chairman SEZ Indore

The background image shows a large industrial facility, likely a steel mill. A tall blue crane is positioned on the right side. In the center, several long, horizontal pipes or tubes are visible. To the left, there is a large blue machine with a red circular component. In the foreground, a glowing orange-red metal bar is being processed. The overall scene is industrial and complex.

Business Overview

Wide Range of Rolled & Bright Bars Products

Hot Rolled Bars



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

Bright Bars



- Size : 14.66 to 78 mm (Peeled), 18 to 55.25 mm (Drawn)

Diverse applications of our products



Axle Gears

Stabilizer Bar

Knuckle Spindle

Piston

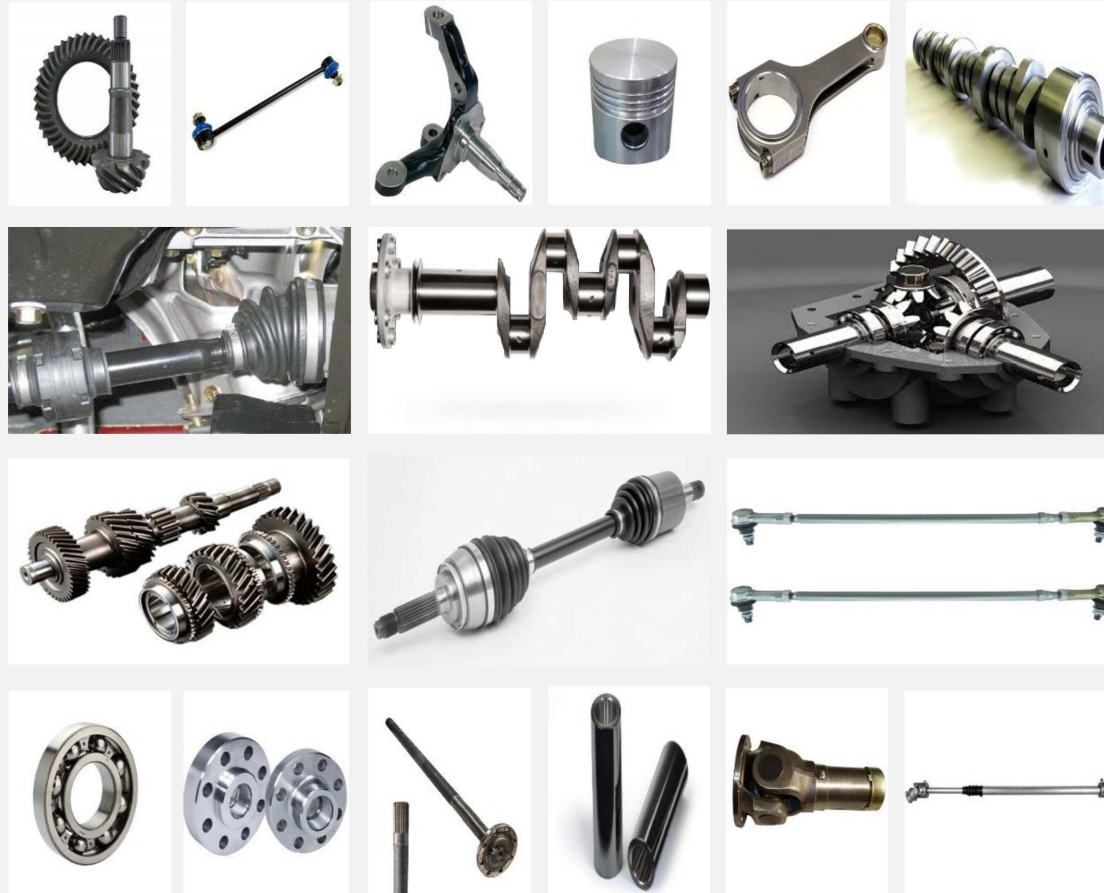
Connecting Rod

Camshaft

Center Velocity Joint

Crankshaft

Differential Gears



Transmission Gear

Drive-Shaft

Tie-Rod

Bearings

Companion-flange

Axle Shaft

Piston-Pin

Steering-Yoke

Steering Shaft

State-of-art Manufacturing facilities



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

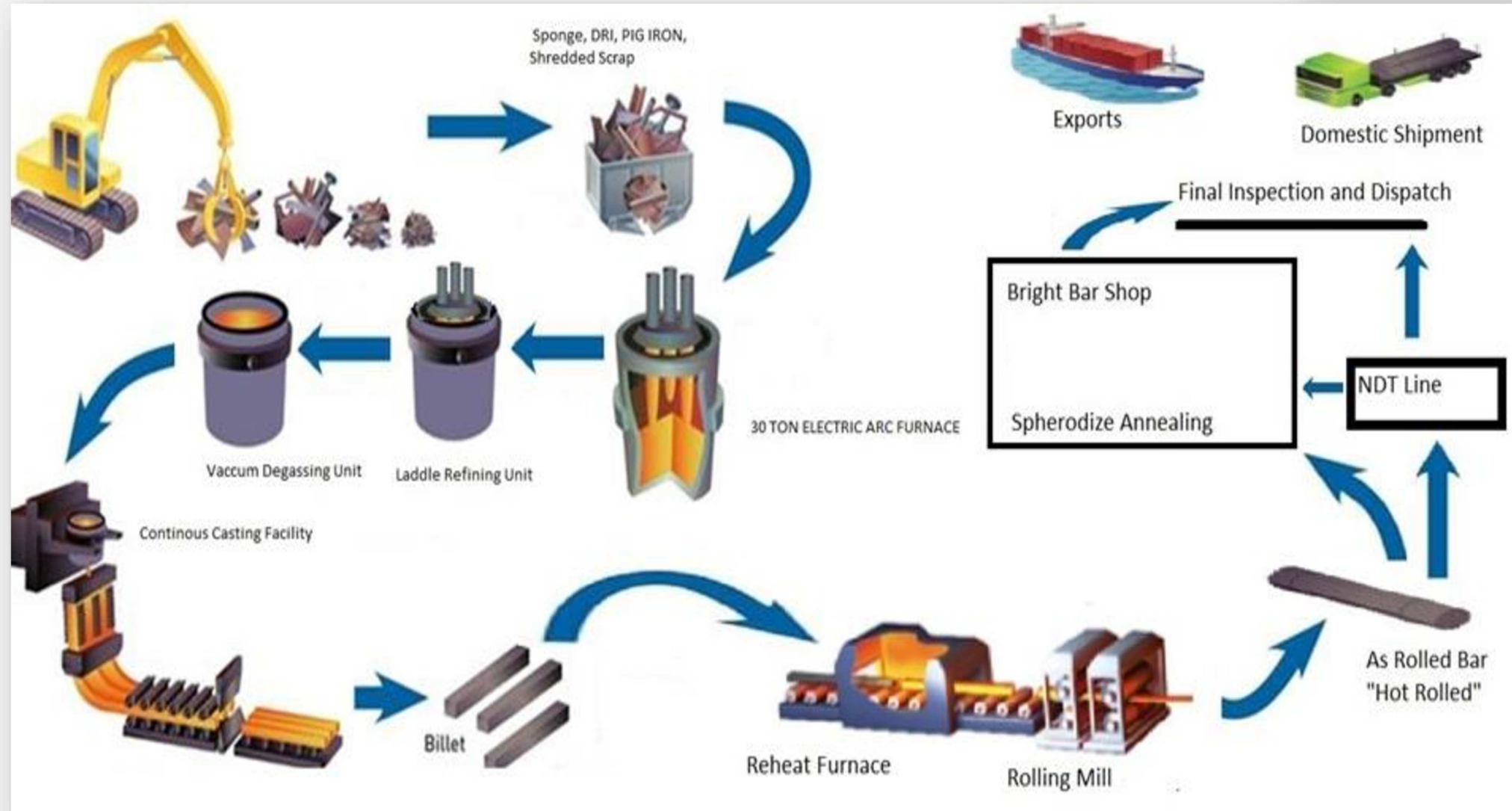
- **Annual Capacity : 2,00,000 TPA**
- Rolling Mill installed in 2013-14
- Mill with complete automation
- 33 TPH "Walking" Hearth Type Reheating Furnace
- Reversible 2 high shift able stand with Bar Manipulator
- 10 Continuous Stands in Horizontal & Vertical configuration
- Online Dimensional Measurements
- 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



In-House Steel Melting Shop



Electric Arc Furnace



Two Ladle Refining Furnace



Continuous Casting Machine



Vacuum Degassing



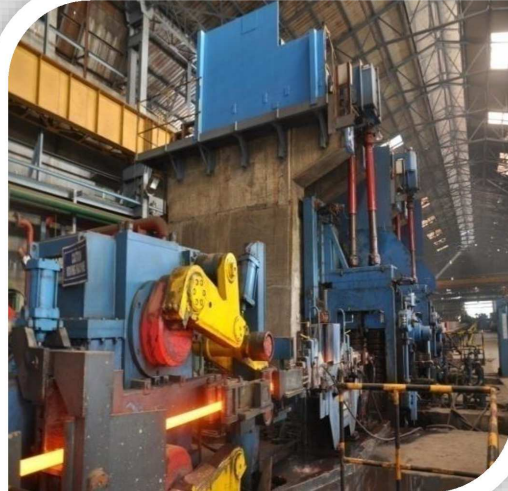
Rolling Mill & Bright Bars

Rolling Mill



Reheating Furnace

Rolling Mill



Bright Bar Shop



Spherodizing & Annealing
Machines

Bright Bar Shop



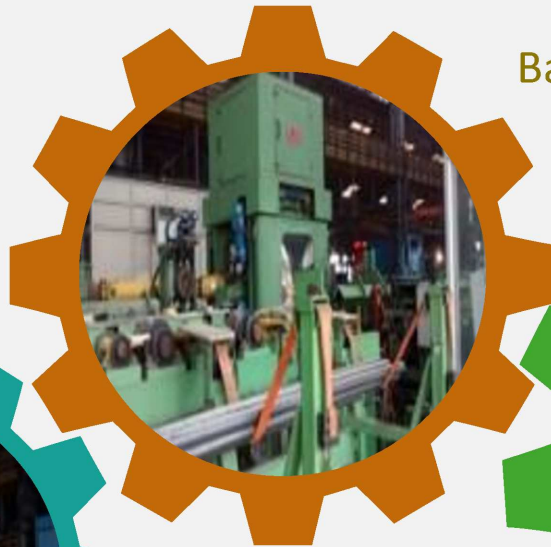
Automatic Line of Bar Inspection - NDT Line



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

Best in class R&D Facility

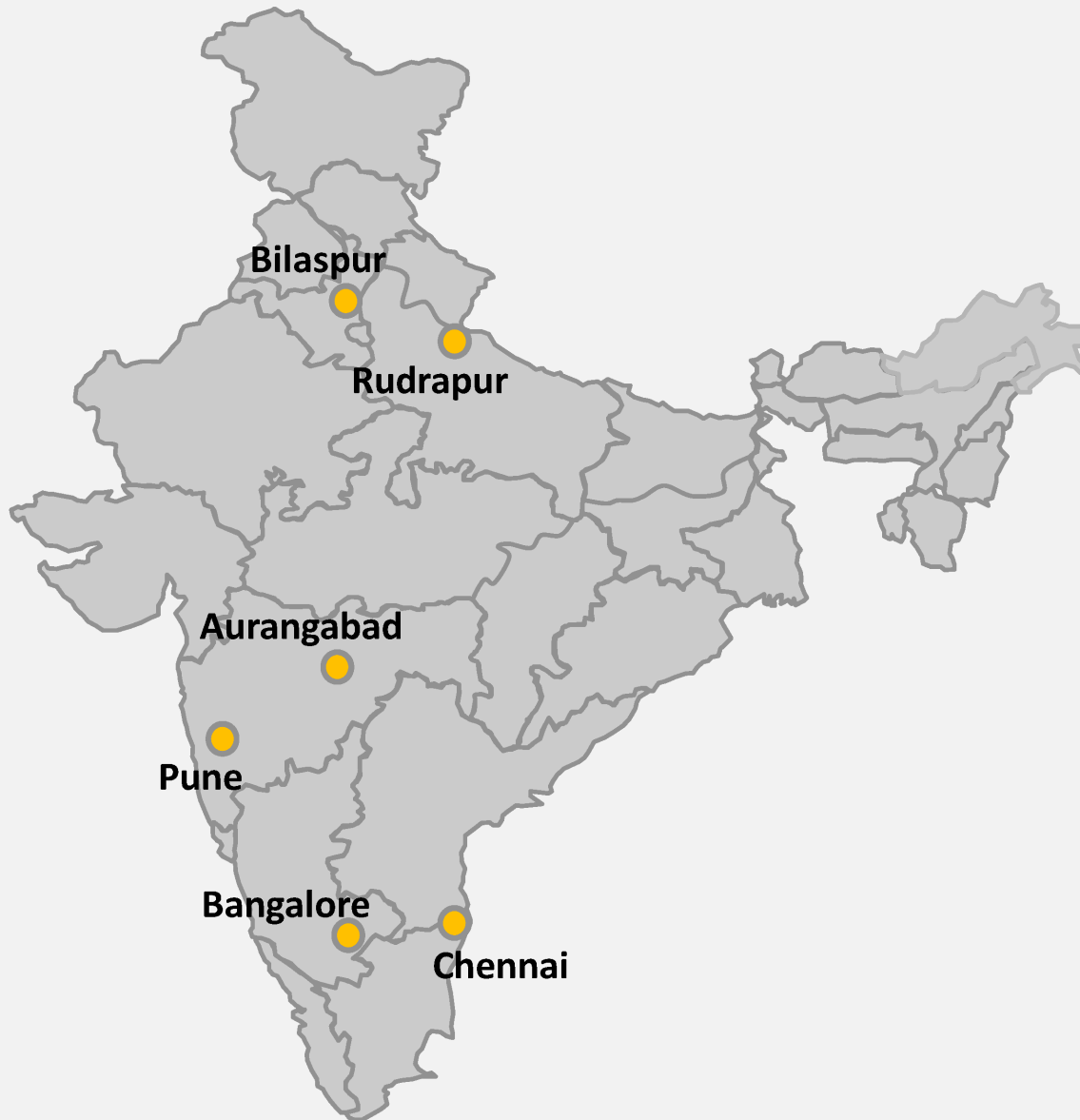


- **Spectrometer** : ARL 4460:1454 for Chemical Analysis. Can check 32 different elements
- CS - 230 : Analyzer for Carbon & Sulfur content in steel
- **LECO gas analyzer** – TC 600 H₂, N₂, O₂ Analyzer
- Mobile Spectro and XRF for Mix up Testing of Bars
- **Mechanical and Metallurgical Testing Lab**
 - 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 25

Strategically located Warehousing Facilities



- **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 modern testing facilities to check for physical, mechanical & chemical properties

04

Brand Image

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

05

200+ Reputed & Long term customers....

Cars



Two Wheelers



HCL/LCVs



Auto Components



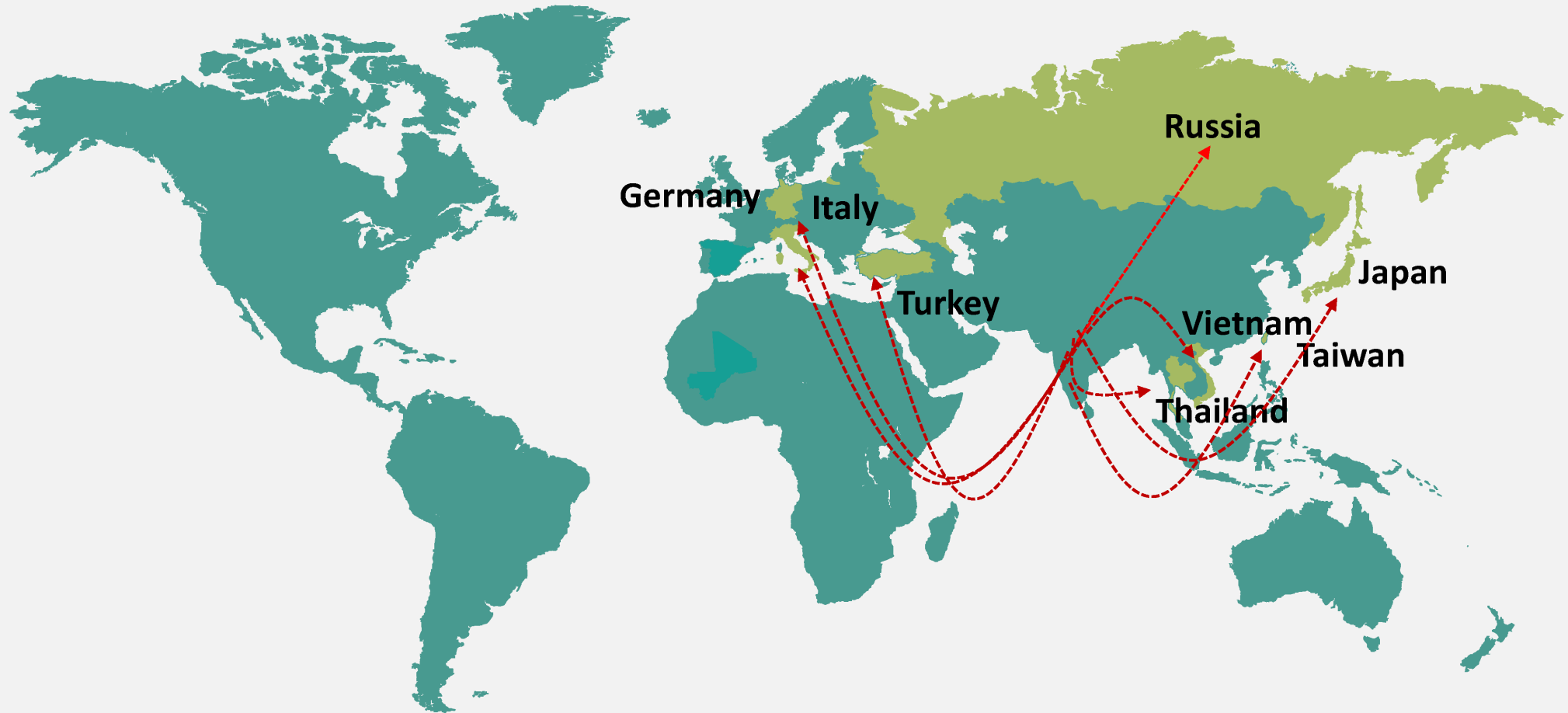
Tractors



Off Highway Vehicles



... Across Globe with Customer Base



FY19 Export contributes 6%



Way Ahead

Investing in Our Real Assets



Centre for Creative Leadership

- CCL - US based Organisation – offers leadership programs across 160 countries, FT top10 in executive education with 500K alumni over 50 years
- Customized leadership training for 12 senior management

‘Manav Vikas Kendra’

- Training programs – functional, attitudinal, skill development, quality – across all levels of employees
- Specialized & customized programs

‘EKLAVYA - B.Sc. to B. Tech.’

- New Initiative undertaken
- Formalized training programs that focus on technical knowledge, enhance skill sets and productive efficiencies of personnel

Way Ahead



Capacity Expansion & Utilization

- Increase melting capacity to 2,40,000 TPA and Rolling Capacity to 2,20,000 TPA by FY21
- Target of achieving full capacity utilization, quality improvement, cost reduction & product mix enrichment in consultation with Aichi Steel Corporation

Joint Venture & Technical Alliance

- In down stream value added products
- Build strong technical alliance with global player
- Explore value added products like high alloy steel through ingot casting route over time

De-risking Business

- Explore avenues – increase high margin products, enter into new geographies, change in customer mix and expand into new industry applications

Thank You



For further information, please contact:

Company :

Vardhman Special Steels Limited
CIN:L27100PB2010PLC033930

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sanjeevsingla@vardhman.com

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