

# Vardhman Special Steels Limited

Investors & Analysts Meet Presentation

11<sup>th</sup> February 2019

# Disclaimer



*This presentation has been prepared by Vardhman Special Steels Limited (the “Company”) solely for information purposes and does not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment what so ever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.*

*This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.*

*Certain matters discussed in this Presentation may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.*

# Table of Contents



A staircase diagram with four steps, each represented by a colored arrow pointing up and to the right. A horizontal line extends from the right side of each arrow to the right edge of the page. The steps are: 1. Red arrow pointing to 'Company Overview'. 2. Blue arrow pointing to 'Business Overview'. 3. Orange arrow pointing to 'Financial Highlights'. 4. Yellow arrow pointing to 'Way Ahead'.

	<b>Company Overview</b>
	<b>Business Overview</b>
	<b>Financial Highlights</b>
	<b>Way Ahead</b>

# About Us



**Amongst India's Leading Steel Bar Producers for Automotive Applications**

**Specialized Product offerings – Steel bars & rods**

**200+ Reputed and long term customers**

**Experienced Management Team**



**State-of- art manufacturing facilities**

- Billets – 2,00,000 TPA
- Rolled Bars – 1,80,000 TPA
- Bright Bars – 36,000 TPA

**Strong Domestic & International Customer Base for forging applications**

**Quality Standards & Assurance**

## 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)

**2012 - 2014**

- **July 2015** – Installed Fume Extraction system
- **Aug 2015** – Increased Bright bars capacity 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

**2015 - 2016**

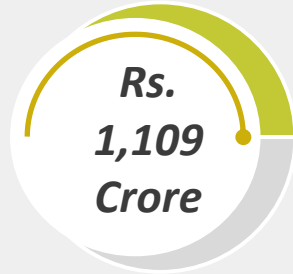
- **April 2017** – Rights Issue of Rs 67.85 Cr.
- **Oct. 2017** – Purchased ~8 acres of adjoining land for Rs. 36 Cr.
- **Feb. 2018** – QIP of Rs 50 Cr.
- **June 2018** – CRISIL upgraded credit rating
- **August 2018** – Change in Statutory Auditors to M/s B. S. R. & Co. LLP
- **2019** – Fortified Board of Directors - one Independent Woman Director appointed

**2017 – Till Date**

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

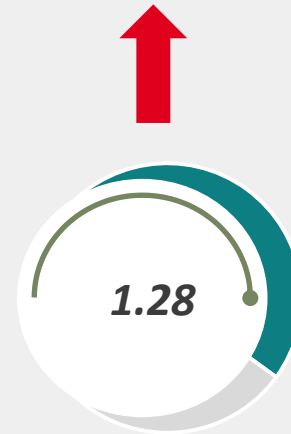
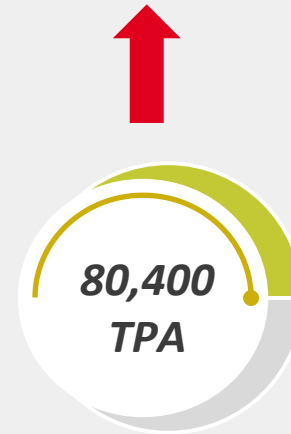
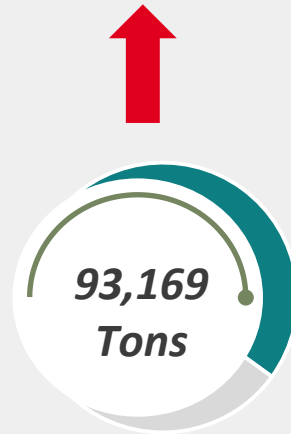
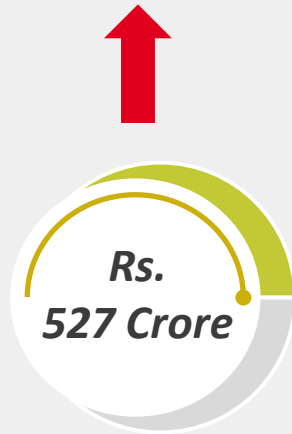
# ...Clear focus on long term Value Creation

Jan – Dec  
2018



Listed on Stock  
Exchange

2012



Revenue

Sales  
Volume

Installed  
Capacity -  
Billets

Installed  
Capacity -  
Rolled Products

Debt to  
Equity(x)

\* As on 31<sup>st</sup> Dec 2018

# 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 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

# 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

## 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

## 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



# Wide Range of Rolled & Bright Bars Products

## Hot Rolled Bars



## Bright Bars



# Diverse applications of our products



**Axle Gears**

**Stabilizer Bar**

**Knuckle Spindle**

**Piston**

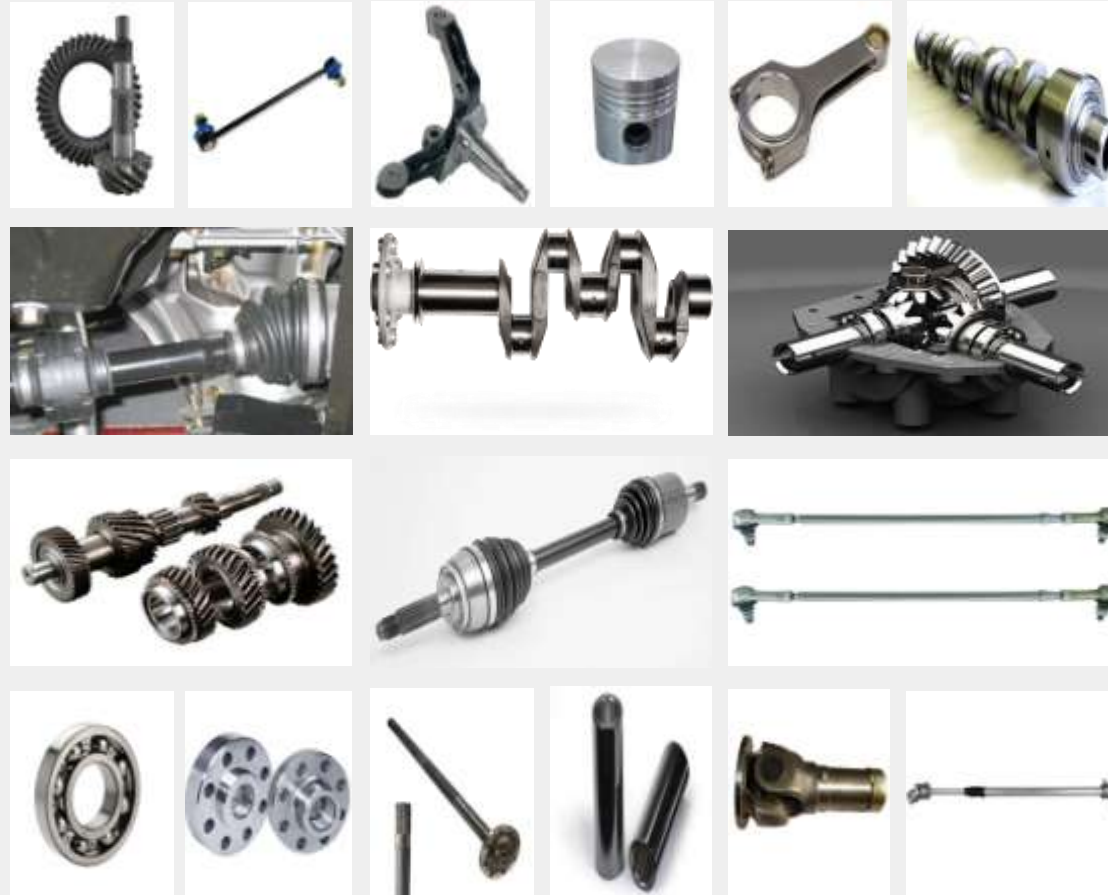
**Connecting Rod**

**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**

**Capacity : 2,00,000 TPA**



**Rolling Mill**

**Capacity : 1,80,000 TPA**



**Bright Bars**

**Capacity : 36,000 TPA**

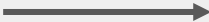
# ...With In-House Steel Melting Shop



Electric Arc Furnace



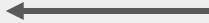
Ladle Refining Furnace



Continuous Casting Machine



Vacuum Degassing



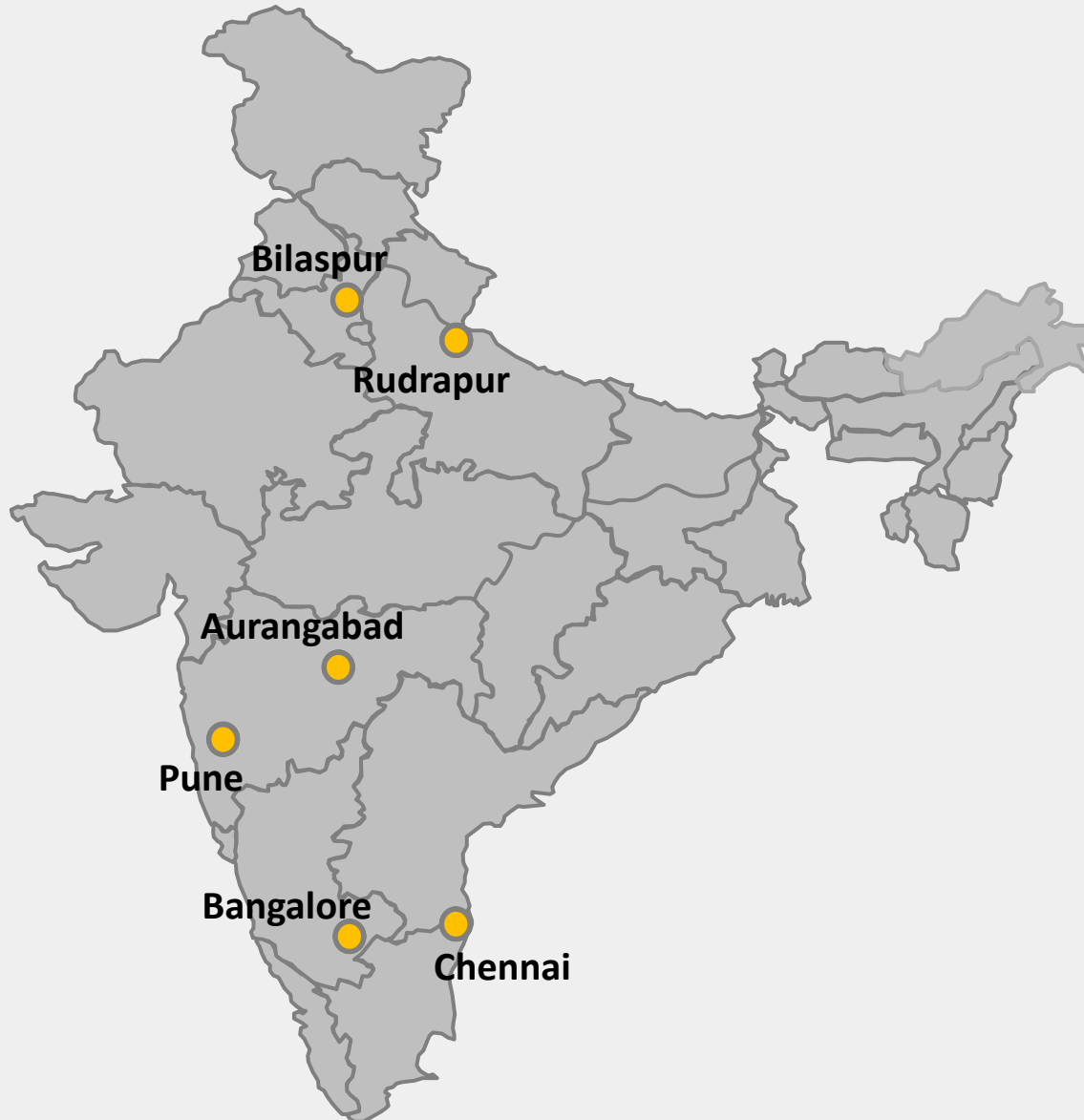
## ...And best in class R&D Facility



- **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 H<sub>2</sub>, N<sub>2</sub>, O<sub>2</sub> Analyzer
- **Mechanical and Metallurgical Testing Lab**
- **Metallurgical Microscope with Image Analyzer**
- **RADLAB-1 GAMMA RAY Spectrometer**
  - For Testing Steel Samples for Radiological Content – can identify different types of Isotopes present
  - Samples can be certified with 300 Second scan in RadLab "Well"
- **XRF Spectrometer** - Higher range & All input/ output material can be checked



# Strategically located Warehousing Facilities



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

# 200+ Reputed & Long term customers....

## Cars



## Two Wheelers



## HCL/LCVs



## Auto Components



## Tractors



## Off Highway Vehicles



## ... Across a Strong Global Customer Base



**9M FY19 Export contributes 6%**

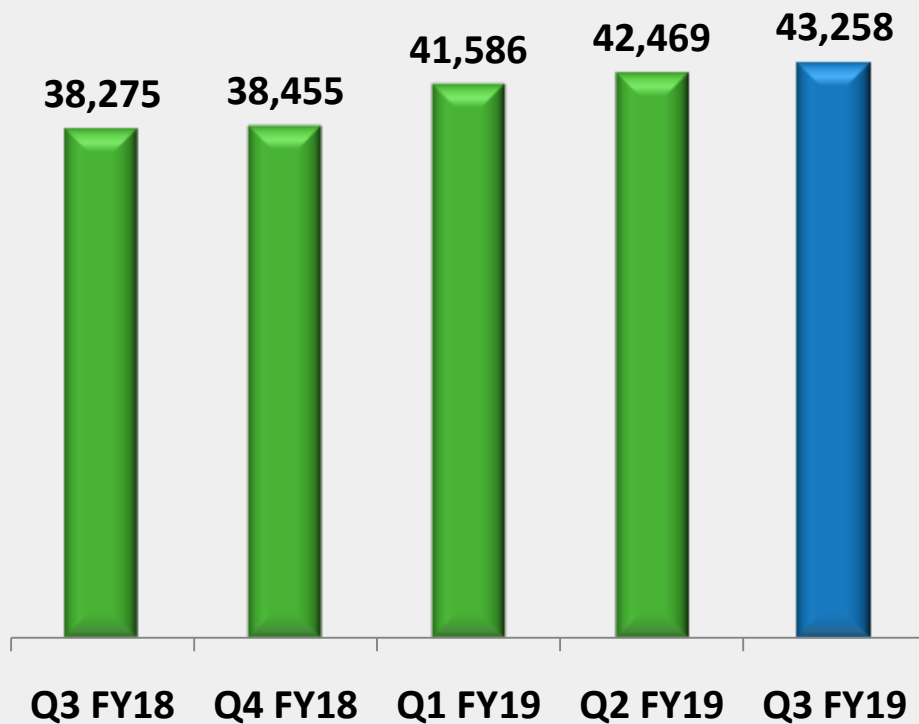




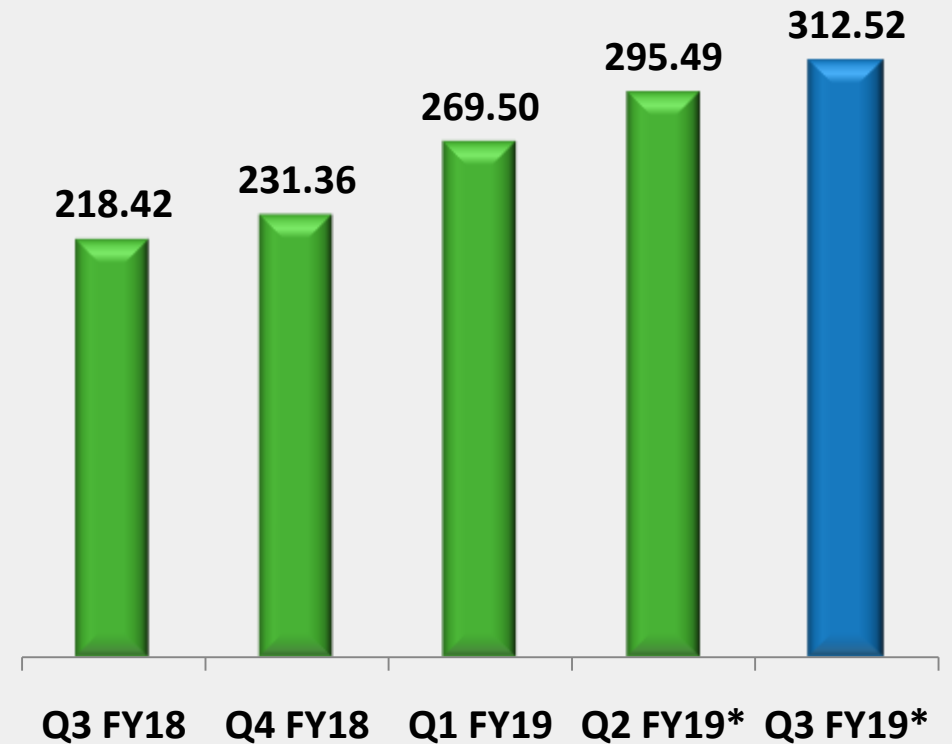
## Financial Highlights

# Quarterly Financial Highlights

## Sales Volumes (MT)



## Revenue from Operations (Rs. Crore)

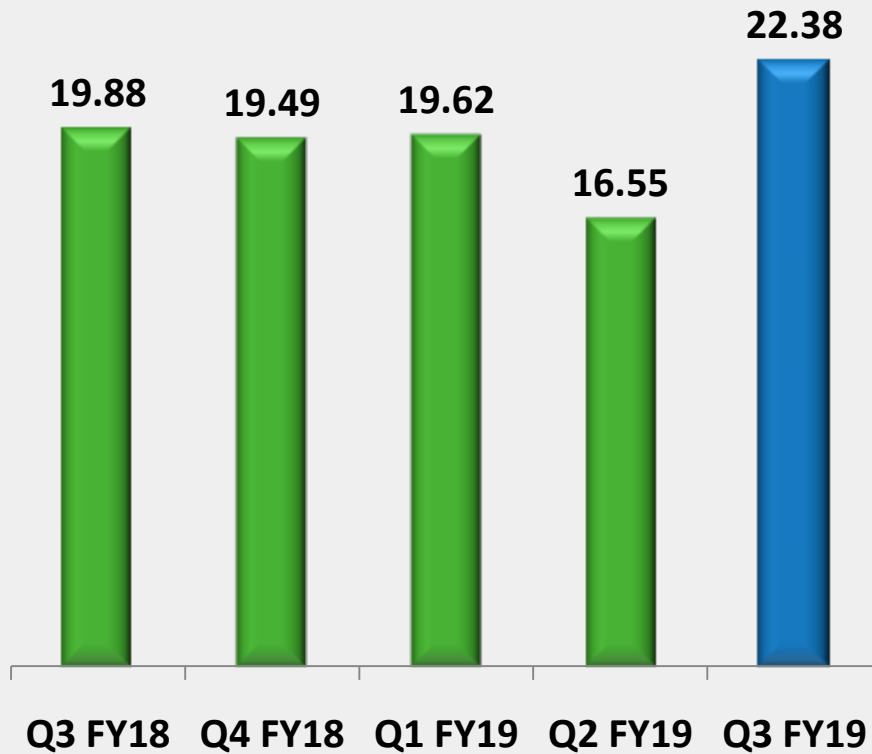


\* Includes sale of raw material and traded goods

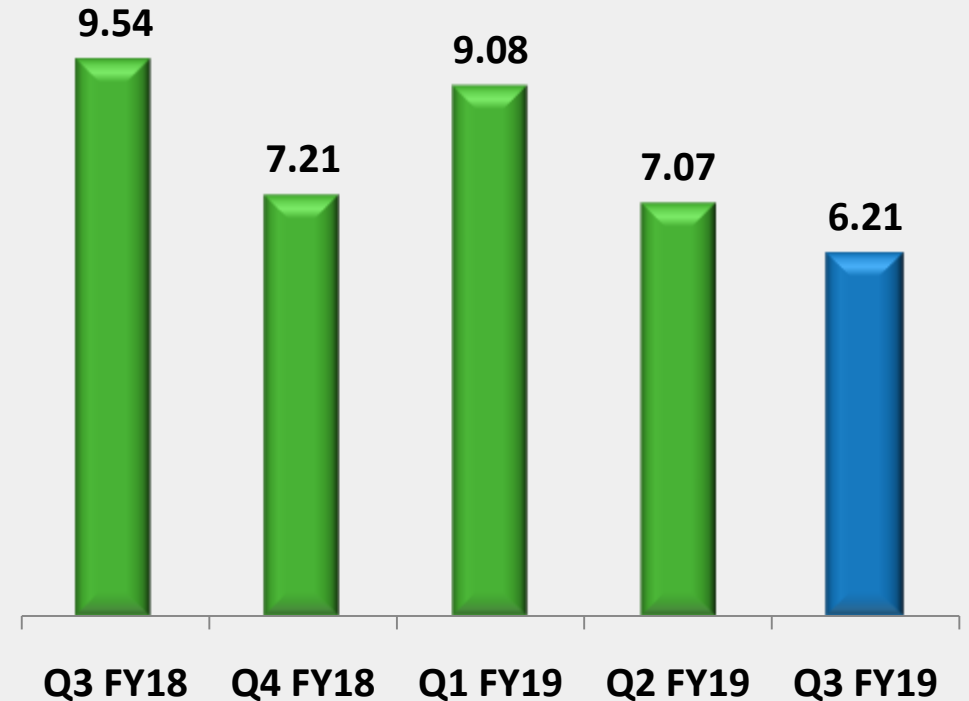
# Quarterly Financial Highlights



### EBITDA (Rs. Crore)#



### PAT (Rs. Crore)



#EBITDA is including Other Income

# Financial Highlights – 9M FY19 vs 9M FY18



12%

**Volume (MT)**  
1,27,313 MT



40%

**Revenue from Operations\***  
Rs. 877.51 crore



21%

**EBITDA#**  
Rs. 58.54 crore



25%

**PAT**  
Rs. 22.36 crore



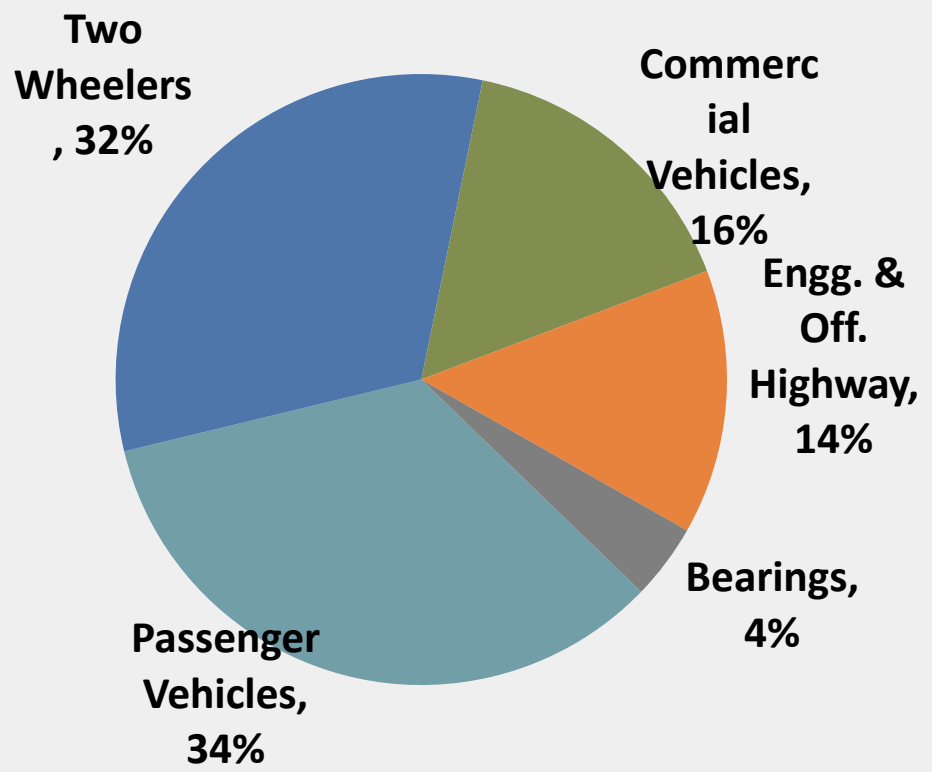
6%

**Basic EPS**  
Rs. 6.26 vs. Rs. 5.93 9M FY18

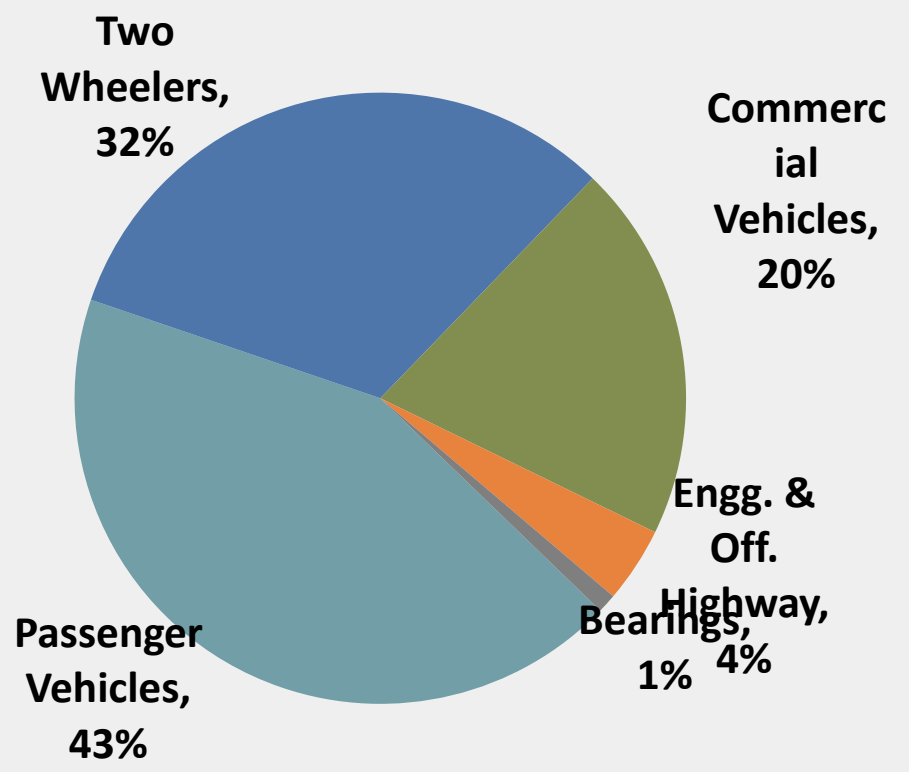
- Increase in Revenue mainly on account of increase in sales volumes and higher realizations
- EBITDA growth driven by higher operational efficiencies, despite increase in raw material costs

# Revenue Break up – Sector Wise

**FY18**



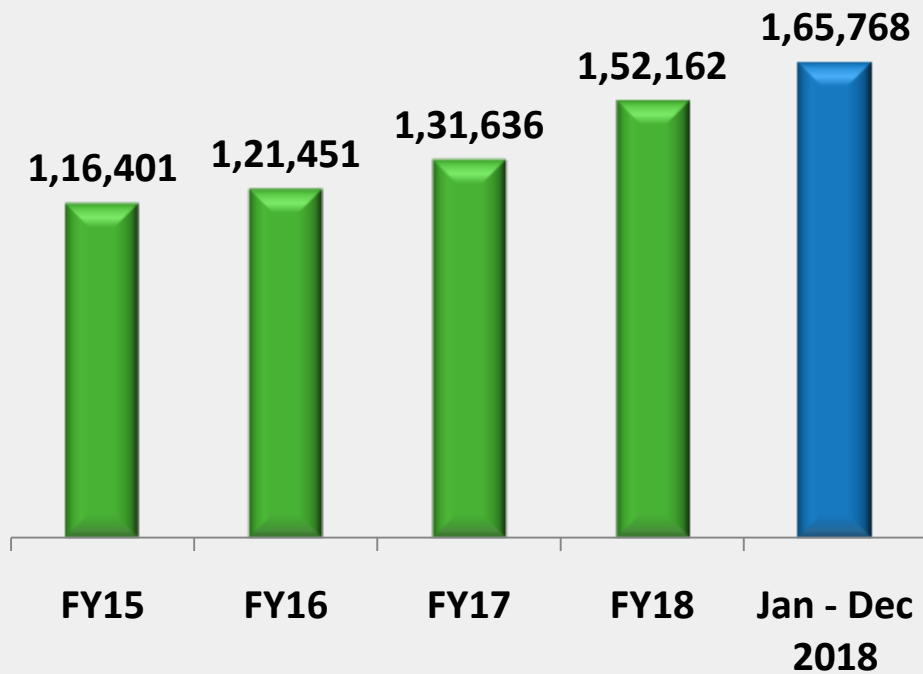
**9M FY19**



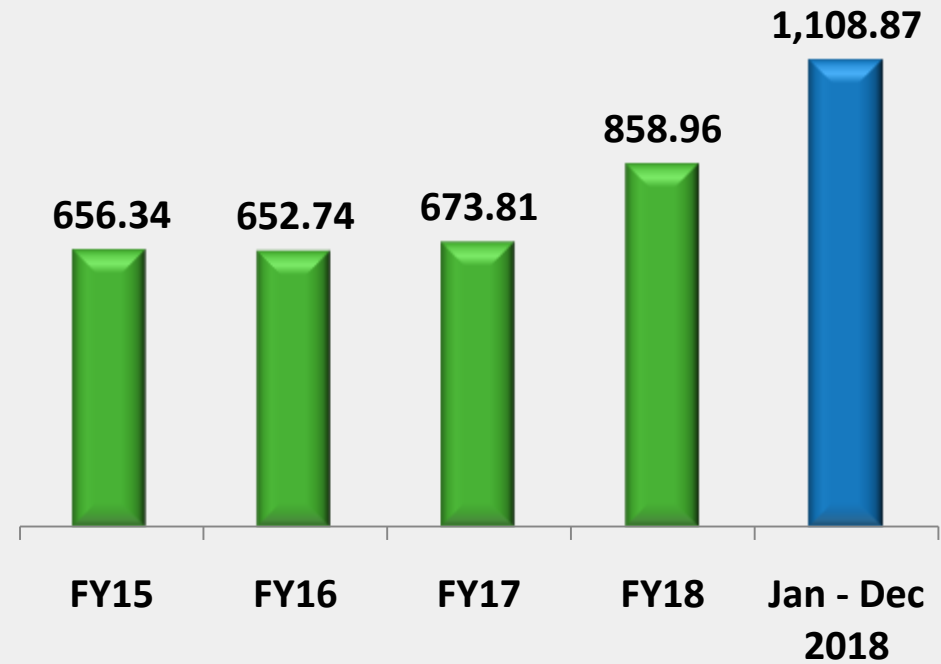
# Financial Highlights



### Volume (MT)

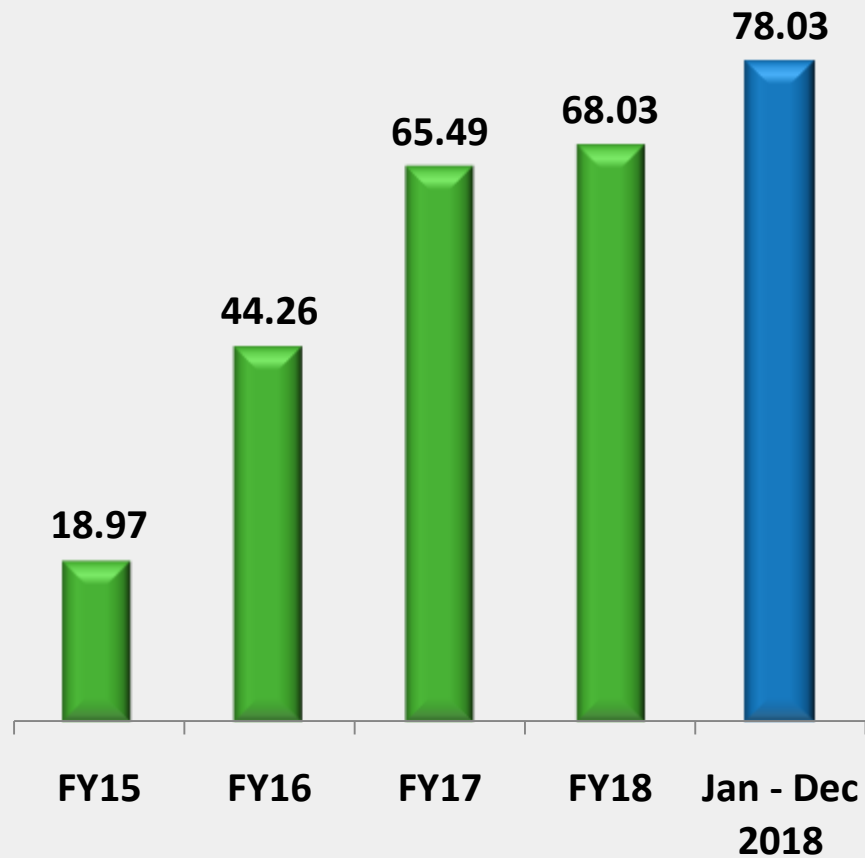


### Revenue from Operations (Rs. Crore)

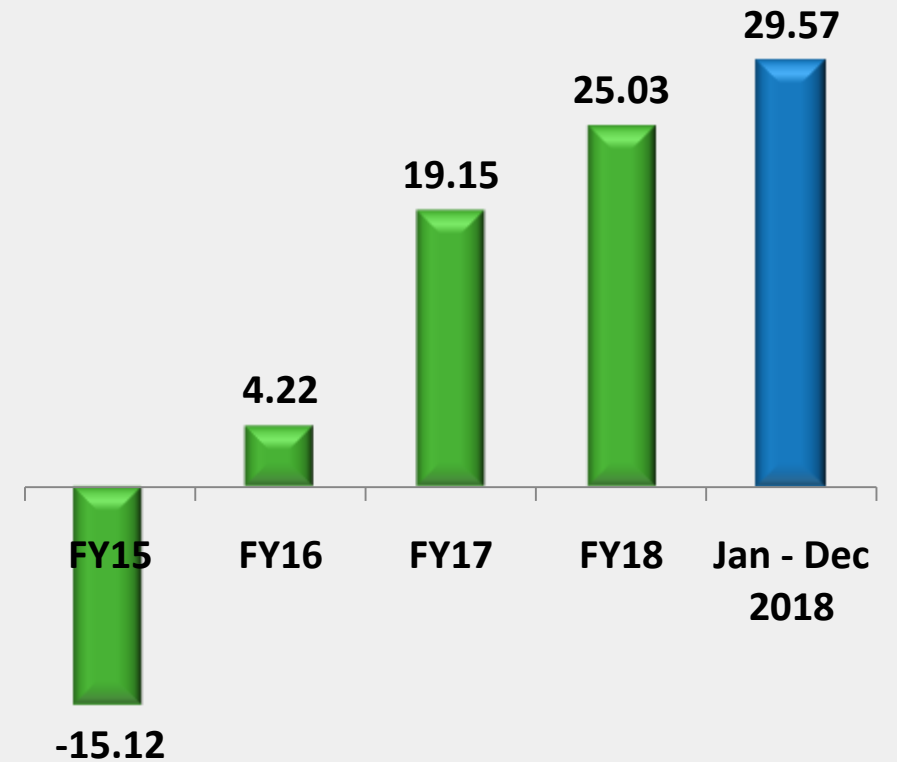


# Financial Highlights

## EBITDA (Rs. Crore)#



## PAT (Rs. Crore)

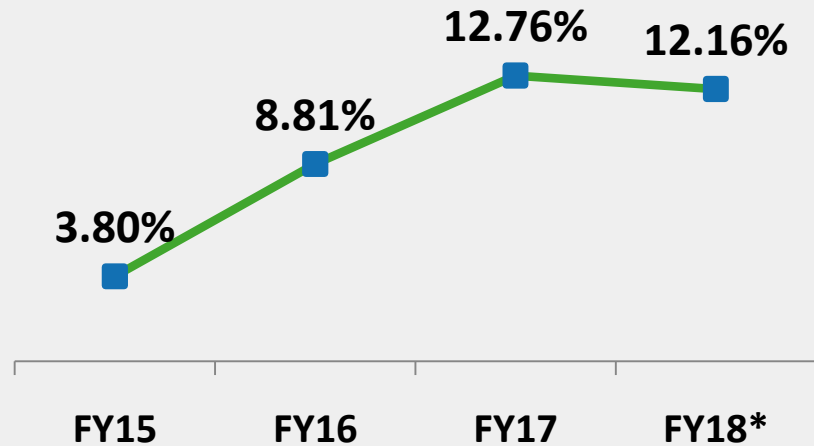


#EBITDA is including Other Income

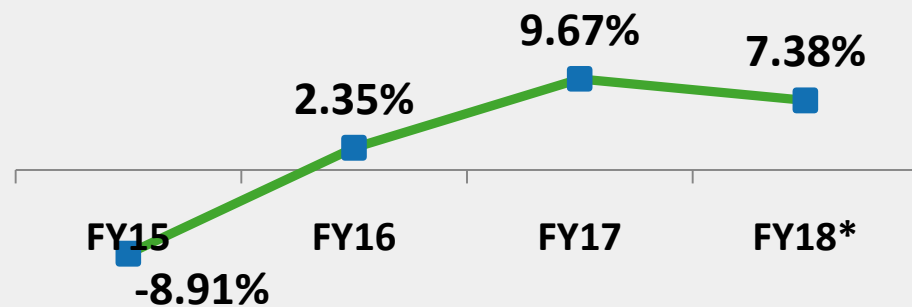
# Annual Balance sheet Highlights – FY15 to 18



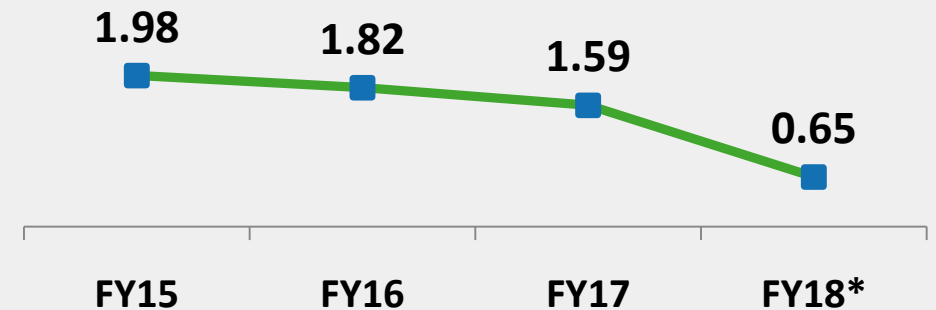
RoCE (%)



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



# 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**

# Way Ahead



## 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 & Technical Alliance

- In down stream value added products namely Bright Bars
- 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

**Mr. Sanjeev Singla**  
[sanjeevsingla@vardhman.com](mailto:sanjeevsingla@vardhman.com)

[www.vardhmansteel.com](http://www.vardhmansteel.com)

### Investor Relations Advisors :

**Bridge Investor Relations Pvt. Ltd.**  
CIN: U74900MH2016PTC273679

**Mr. Amit Sharma**  
[amit@bridge-ir.com](mailto:amit@bridge-ir.com)  
022 26873003

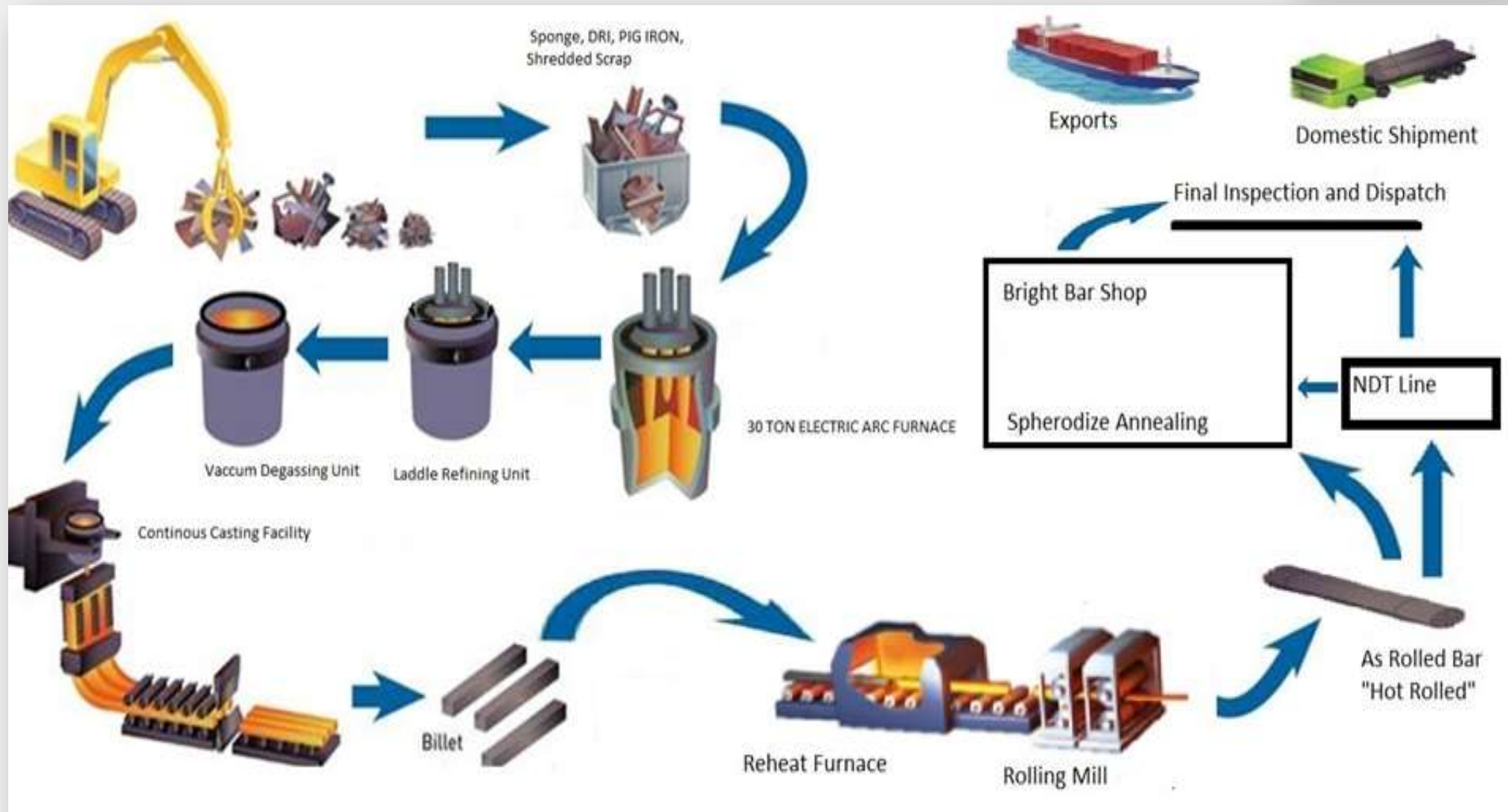
**Mr. Smit Shah**  
[smit@bridge-ir.com](mailto:smit@bridge-ir.com)  
022 26873003

[www.bridge-ir.com](http://www.bridge-ir.com)



## Annexures

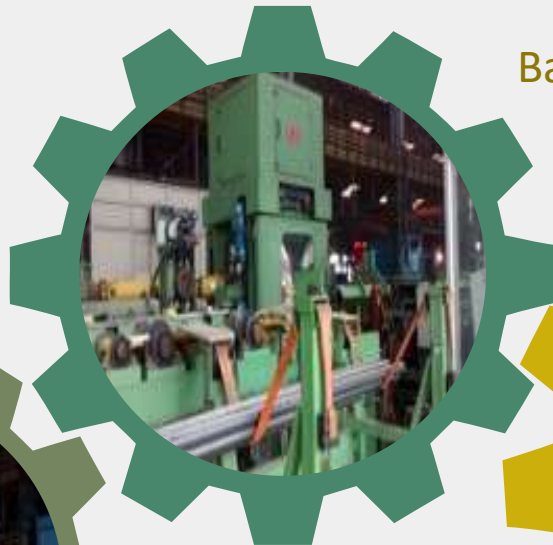
# Process Flow



# Automatic Line of Bar Inspection - NDT Line



**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

# Quarterly Profit & Loss



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

- 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



# Nine Months Profit & Loss



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

\* Includes sale of raw material and traded goods

# Balance Sheet as on 30th September 2018



INR Crore	As on 30 <sup>th</sup> Sept'18	As on 31 <sup>st</sup> Mar'18	INR Crore	As on 30 <sup>th</sup> Sept'18	As on 31 <sup>st</sup> Mar'18
<b>Equity*</b>	<b>355.35</b>	<b>339.32</b>	<b>Non Current Assets</b>	<b>316.26</b>	<b>278.83</b>
Equity Share Capital	35.70	35.70	Property Plant & Equipment	281.15	249.27
Other Equity	319.65	303.62	Capital work in progress	15.37	6.99
<b>Non-current liabilities</b>	<b>142.75</b>	<b>102.33</b>	Other intangible assets	0.36	0.29
<b>Financial Liabilities</b>			<b>Financial Assets</b>		
(a) Borrowing	141.74	101.46	Long Term Loans	0.88	1.42
(b) Other Financial liabilities	0.05	0.00	Deferred Tax Assets (Net)	2.20	0.00
Provisions	0.96	0.85	Other Non Current Assets	16.30	20.86
Other Current Liabilities	0.00	0.02	<b>Current Assets</b>	<b>454.08</b>	<b>397.82</b>
<b>Current liabilities</b>	<b>272.24</b>	<b>235.00</b>	Inventories	200.81	158.60
<b>Financial Liabilities</b>			<b>Financial assets</b>		
(a) Borrowings	127.30	118.50	Investments	0.01	8.16
(b) Trade Payables	109.15	60.61	Trade receivables	203.26	194.55
(c) Other Financial Liabilities	33.04	52.25	Cash & Cash equivalents	0.20	7.49
Provisions	0.49	0.62	Other Bank Balance	0.04	0.00
Other Current Liabilities	2.10	3.02	Loans	1.15	1.02
Current Tax Liability (Net)	0.16	0.00	Other financial assets	4.17	5.92
<b>Total Equities &amp; Liabilities</b>	<b>770.34</b>	<b>676.65</b>	Current tax assets	0.00	0.36
			Other Current Assets	44.44	21.72
			<b>Total Assets</b>	<b>770.34</b>	<b>676.65</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)