



# Vardhman

Delivering Excellence. Since 1965.

## VARDHMAN SPECIAL STEELS LIMITED

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Ref. VSSL:SCY:AUG:2020-20

DATED: 06-Aug-2020

The Deputy General Manager, Corporate Relationship Deptt, Bombay Stock Exchange Limited, 1 <sup>st</sup> 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
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**SUB: COMPLIANCE OF REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) 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 ended 30<sup>th</sup> June, 2020.

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

Thanking you,

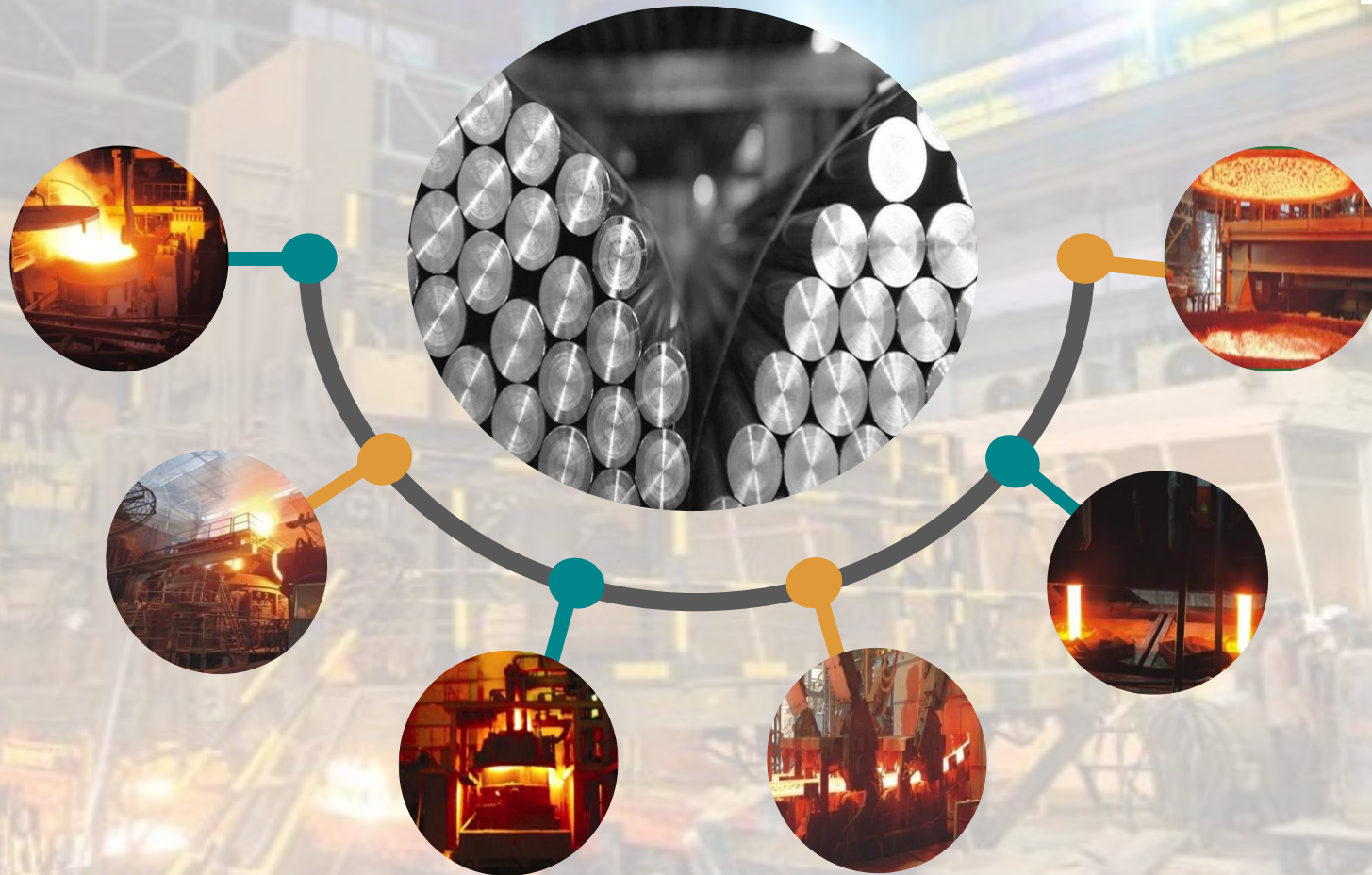
Yours faithfully,  
For VARDHMAN SPECIAL STEELS LIMITED

  
(SONAM TANEJA)  
Company Secretary



YARNS | FABRICS | THREADS | GARMENTS | FIBRES | **STEELS**

PAN NO.: AADCY4812B CIN: L27100PB2010PLC033930  
WWW.VARDHMANSTEEL.COM



# Vardhman Special Steels Limited

Result Update Presentation  
Q1 FY21

# Disclaimer

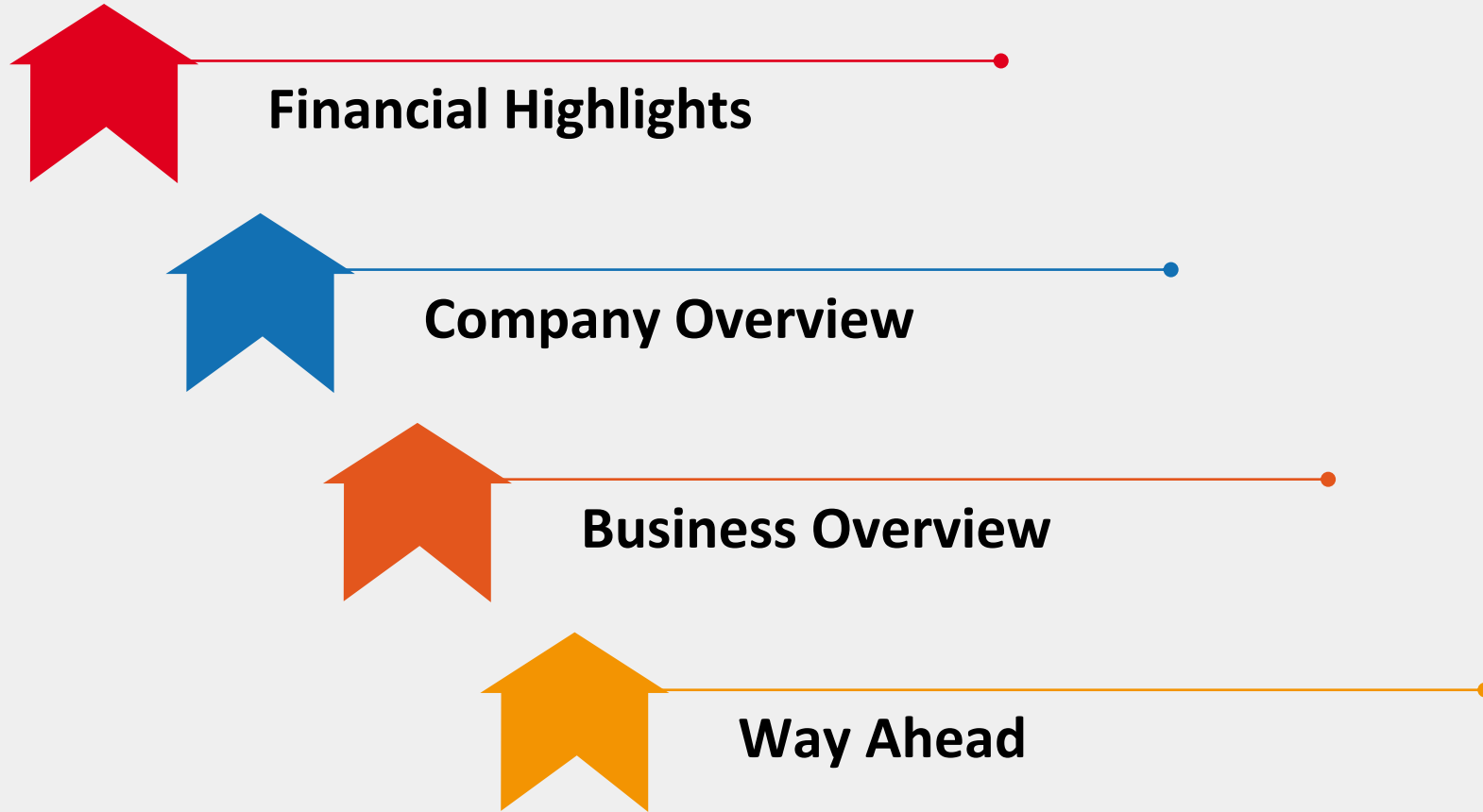


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# Table of Contents



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 'Financial Highlights'. 2. Blue arrow pointing to 'Company Overview'. 3. Orange arrow pointing to 'Business Overview'. 4. Yellow arrow pointing to 'Way Ahead'.

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



## Financial Highlights

# Management's Message



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



*“During the first quarter the Company registered revenue of Rs. 67.86 crore. The revenue was impacted mainly on account of nationwide lockdown imposed by the central government to prevent the spread of COVID-19. Our volumes were impacted as there was a huge fall in demand for automobiles during the first quarter resulting in lower production at various OEM’s thereby lower demand for specialized alloy steels. However, we have surprisingly seen a good pickup in demand since July 2020 and our volumes have been on an increasing trend.*

*During the first quarter, our production activities were halted for nearly a month post which in compliance with the relaxations given by the Ministry of Home Affairs (MHA) and after seeking approval from the concerned State Government authorities, we started limited operations at our manufacturing facility from 22 April 2020. Also to add that, we have utilized this time as an opportunity to connect with each member of the organization, identify hidden problems and come up with newer and innovative ways to solve problems and also train our self the Aichi way so as to bring higher synergies between the two organizations.*

*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”*

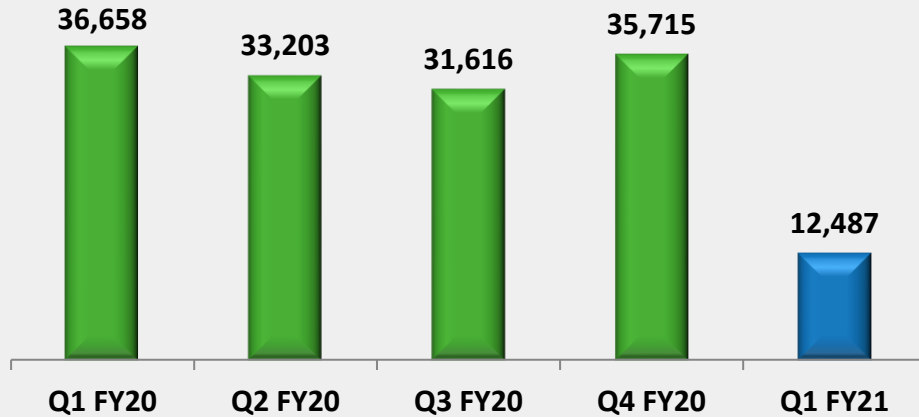
# Recent Developments



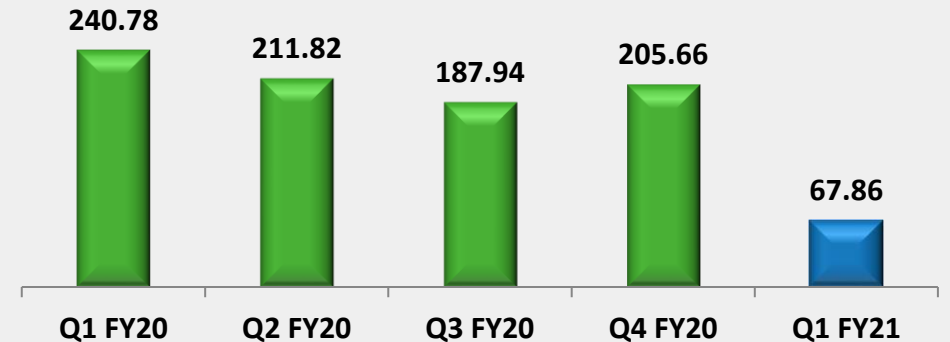
- *On 22<sup>nd</sup> March 2020, Company had temporarily shut down its manufacturing activities due to nationwide lockdown announced by the Government of India amidst spread of Corona Virus and had resumed partial operations from 22<sup>nd</sup> April 2020 after obtaining required permissions*
- *Company has made intensive efforts to surpass Covid challenge - through strict safety norms, enhanced hygiene and adherence to social distancing norms, use of masks and sanitizers etc. Technology is being leveraged to minimize human contact, meetings are held virtually and practice of work from home, wherever required, has also been inculcated in work environment. The Company is committed to ensure safety and well-being of its employees*
- *Company has used this period of Lockdown as an opportunity to connect with each member of the organization, unlock hidden talent, improving communication skills, identifying problems, suggestions on 3R's (Reduce, Reuse, Recycle), imparting training and chalking out plans with Aichi Steel Corporation to reduce cost, enter new grades of steel, expanding market reach by adding new customers and new geographies in medium term*

# Financial Highlights - Quarterly

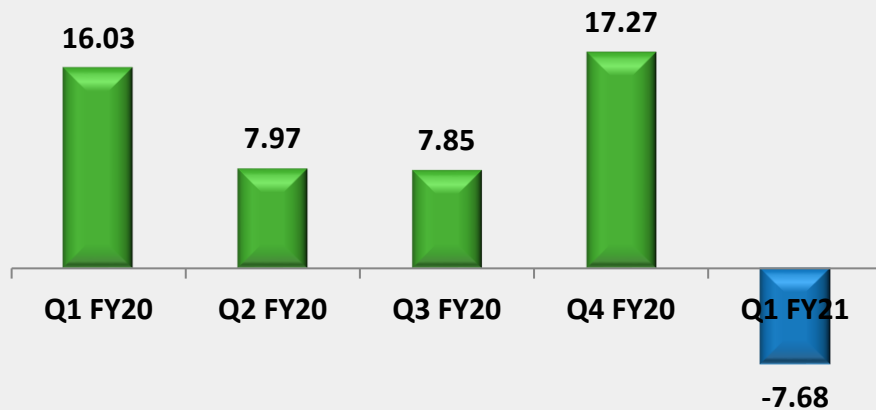
Sales Volumes (tonnes)



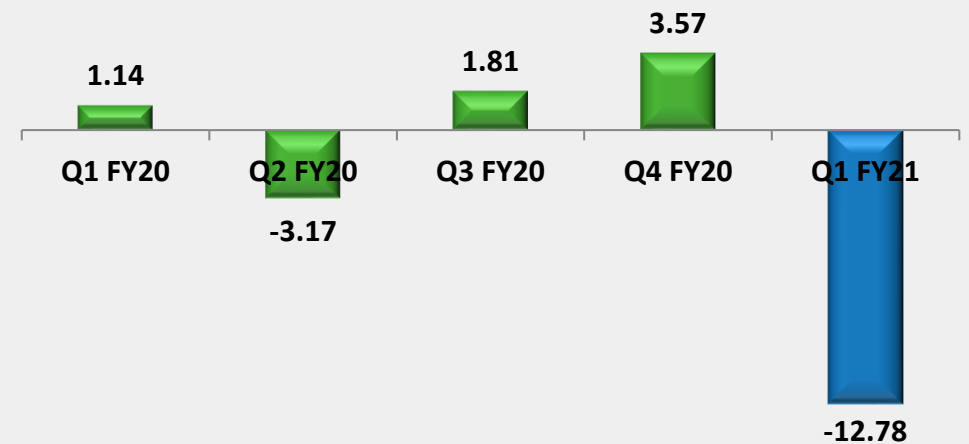
Revenue from Operations\* (Rs. Crore)



EBITDA (Rs. Crore)#



PAT (Rs. Crore)



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



# Financial Highlights – Q1 FY21

INR Crore	Q1 FY21	Q1 FY20	Y-o-Y %	Q4 FY20
<b>Revenue From Operations*</b>	<b>67.86</b>	<b>240.78</b>	<b>(71.82%)</b>	<b>205.66</b>
Other Income	1.77	0.66		1.46
<b>Total Income</b>	<b>69.63</b>	<b>241.44</b>		<b>207.12</b>
Cost of Materials Consumed	38.78	121.32		109.33
Purchases of Stocks	0.00	4.11		0.02
Changes In Inventory	4.81	22.22		14.38
<b>Raw Material Expenses</b>	<b>43.59</b>	<b>147.64</b>		<b>123.73</b>
Employee Expenses	10.71	12.06		12.49
Power & Fuel	11.69	28.26		26.63
Other Expenses	11.32	37.44		27.01
<b>Total Expenditure</b>	<b>77.31</b>	<b>225.40</b>		<b>189.85</b>
<b>EBITDA</b>	<b>(7.68)</b>	<b>16.03</b>	<b>(147.89%)</b>	<b>17.27</b>
Depreciation	6.69	6.11		6.55
Interest / Finance Cost	5.14	8.11		5.08
<b>PBT</b>	<b>(19.51)</b>	<b>1.81</b>		<b>5.64</b>
Tax	(6.74)	0.67		2.07
<b>PAT</b>	<b>(12.78)</b>	<b>1.14</b>	<b>(1222.47%)</b>	<b>3.57</b>
<b>Basic EPS in Rs.</b>	<b>(3.16)</b>	<b>0.32</b>	<b>(1087.50%)</b>	<b>0.88</b>

- Q1 FY21 volumes stood at 12,487 tons YoY Decline of 65.94%, mainly on account of nation-wide lockdown announcement by central government to prevent the spread of COVID-19, resulting in lower economic & social activities and production cuts by various OEM's
- Decline in revenue mainly on account of significant lower volumes as production activities in the industry were restricted because of COVID-19 pandemic
- Decline in EBITDA, mainly on account of COVID-19 situation, the Company could not achieve the desired sales volumes, whereas fixed costs in terms of personnel costs, administration costs, power fixed charges etc. continue to be at the same level

\* Includes sale of raw material, billets and traded goods

# Financial Highlights – FY20



INR Crore	FY20	FY19	Y-o-Y %
<b>Revenue From Operations</b>	<b>846.20</b>	<b>1,120.76</b>	<b>(24.50%)</b>
Other Income	9.40	1.87	
<b>Total Income</b>	<b>855.60</b>	<b>1,122.63</b>	<b>(23.79%)</b>
Cost of Materials Consumed	389.29	799.26	
Purchases of Stocks	4.32	34.88	
Changes In Inventory	144.39	(162.43)	
<b>Raw Material Expenses</b>	<b>538.00</b>	<b>671.72</b>	
Employee Expenses	48.13	51.30	
Power & Fuel	95.49	132.35	
Other Expenses	124.86	197.55	
<b>Total Expenditure</b>	<b>806.48</b>	<b>1,052.92</b>	
<b>EBITDA</b>	<b>49.12</b>	<b>69.72</b>	<b>(29.54%)</b>
Depreciation	25.72	23.92	
Interest / Finance Cost	25.72	23.66	
<b>PBT</b>	<b>(2.32)</b>	<b>22.14</b>	
Tax	(5.66)	(0.07)	
<b>PAT</b>	<b>3.34</b>	<b>22.21</b>	<b>(84.96%)</b>
<b>Basic EPS in Rs.</b>	<b>0.89</b>	<b>6.22</b>	<b>(85.69%)</b>

- FY20 volumes stood at 1,37,192 tons YoY decline of 15.14% mainly on account of significant continued slowdown and lower demand from the automotive industry
- Decline in revenue, mainly on account of decline in sales volume by around 15.14%, decline in sale prices and lower trading sales as compared to FY19
- Decline in EBITDA, mainly due to decrease in sales volumes on account of lower demand in the automotive industry, higher cost of inventory built for the planned plant shutdown in Q2 FY20, inventory loss due to decline in raw material and electrode prices and higher fixed cost per unit of steel due to low production levels

\* Includes sale of raw material and traded goods

# Balance Sheet Highlights



INR Crore	As on 31 <sup>st</sup> Mar'20	As on 31 <sup>st</sup> Mar'19	INR Crore	As on 31 <sup>st</sup> Mar'20	As on 31 <sup>st</sup> Mar'19
<b>Equity*</b>	<b>413.63</b>	<b>361.99</b>	<b>Non-Current Assets</b>	<b>409.37</b>	<b>343.52</b>
Equity Share Capital	40.39	35.76	Property Plant & Equipment	308.31	279.54
Other Equity	373.24	326.23	Capital work in progress	12.33	32.57
<b>Non-current liabilities</b>	<b>110.95</b>	<b>136.53</b>	Other intangible assets	0.25	0.30
<b>Financial Liabilities</b>			Right of Use Asset	1.55	0.00
Borrowing	107.84	135.13	<b>Financial Assets</b>		
Lease Liability	1.49	0.00	Long Term Loans	0.84	0.69
Other Financial Liabilities	0.18	0.14	Other Financial Assets	51.38	0.00
Provisions	1.20	1.01	Deferred Tax Assets (Net)	19.96	14.23
Other Non Current Liabilities	0.23	0.25	Current Tax Assets (Net)	2.94	2.12
<b>Current liabilities</b>	<b>245.66</b>	<b>390.81</b>	Other Non-Current Assets	11.81	14.07
<b>Financial Liabilities</b>			<b>Current Assets</b>	<b>360.87</b>	<b>545.82</b>
Borrowings	148.62	186.81	Inventories	151.78	313.22
Lease Liabilities	0.14	0.00	<b>Financial assets</b>		
Trade Payables			Investments	5.00	0.01
Total O/s dues of Micro, Small Enterprises	1.27	3.37	Trade receivables	179.89	187.26
Total O/s other Than Above	60.46	160.13	Cash & Cash equivalents	2.30	0.28
Other Financial Liabilities	27.09	36.89	Loans	0.91	1.03
Provisions	0.86	0.53	Other financial assets	1.68	7.78
Other Current Liabilities	7.21	3.08	Assets Held for Sale	10.12	0.00
<b>Total Equity &amp; Liabilities</b>	<b>770.24</b>	<b>889.33</b>	Other Current Assets	9.17	36.24
			<b>Total Assets</b>	<b>770.24</b>	<b>889.34</b>

- Stocks built for planned shutdown utilized during the year resulting in decline in inventory
- Part of long-term loan paid of during the year thereby improving debt to equity ratio to 0.64

\*On 4th November 2019, Company allotted 46,29,629 equity shares on preferential basis of Rs.10 each at Rs. 108/- (including security premium) aggregating to Rs. 50 Crore to Aichi Steel Corporation **10**



## 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
- Strategic alliance with Aichi Steel Corporation



## 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 equity shares on preferential basis 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

# Strong Experienced Board of Directors contd...



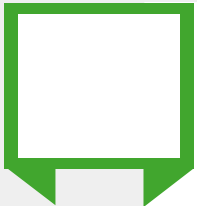
## **Mr. Rajeev Gupta** **Chairman & Independent Director**

- B. Tech from BHU/IIT, Varanasi and MBA (IIM, Ahmedabad)
- Rich experience of more than 35 years - One of Country's topmost Investment Bankers



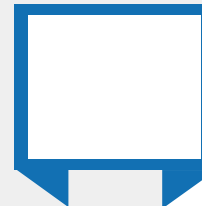
## **Mr. Sachit Jain** **Vice Chairman & MD**

- 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



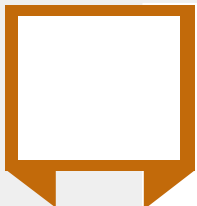
## **Ms. Suchita Jain** **Non-Executive Director**

- Master's degree in Commerce from Punjab University, Chandigarh
- Over 25 years of rich experience in textile industry
- Representative of Vardhman Group



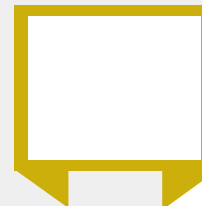
## **Mr. Rajinder Kumar Jain** **Non-Executive Director**

- 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...



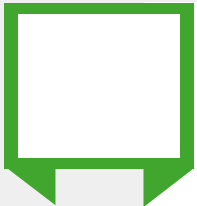
## **Mr. B.K. Choudhary** **Non-Executive Director**

- 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 - NHA; CMD Indian Highway Management Co. Ltd.; Principal Secretary- Urban Development, MP; Commissioner and CEO - MP Housing Board; MD- MP SIDC; Chairman SEZ Indore





A large industrial factory with a blue crane and several long metal pipes in the foreground. The scene is filled with heavy machinery, including a large blue machine with a red wheel and a yellow glowing bar. The background shows a complex network of pipes and structural elements under a high ceiling.

## Business Overview

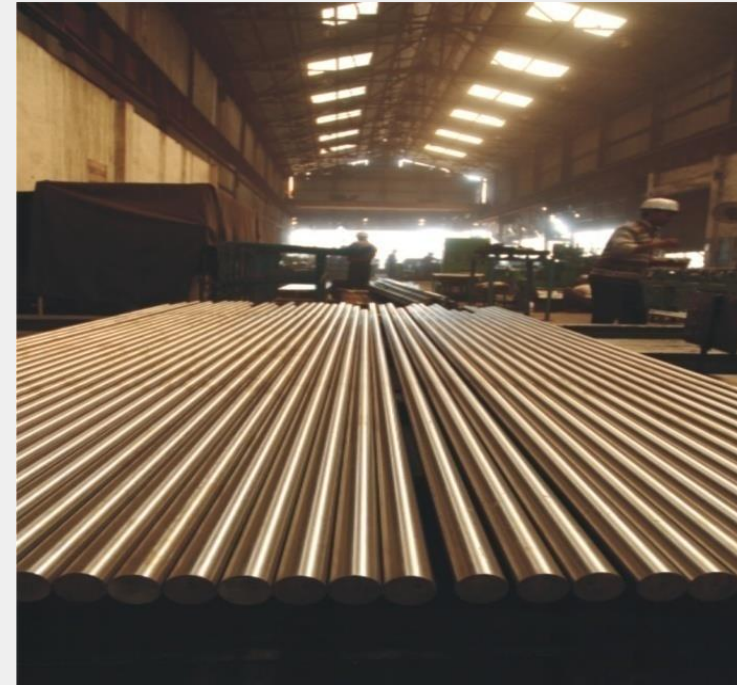
# Wide Range of Rolled & Bright Bars Products

## 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**

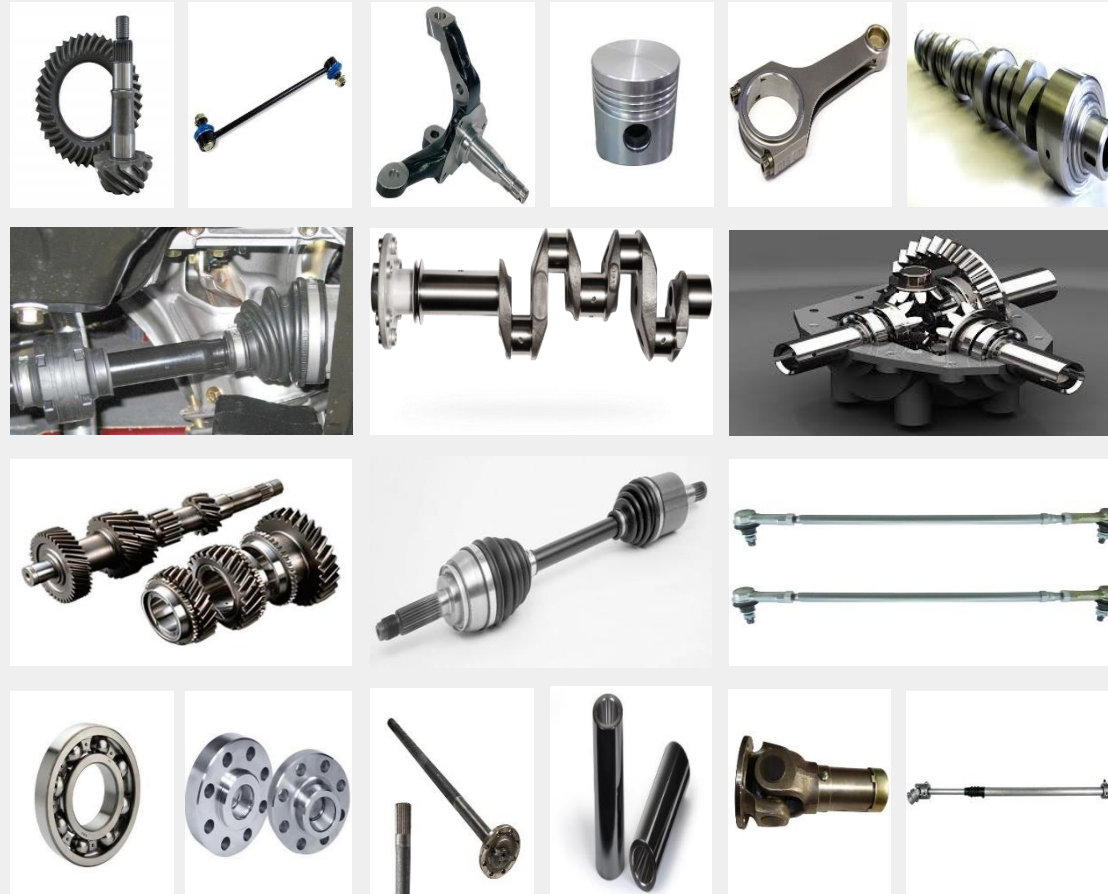
**Connecting Rod**

**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

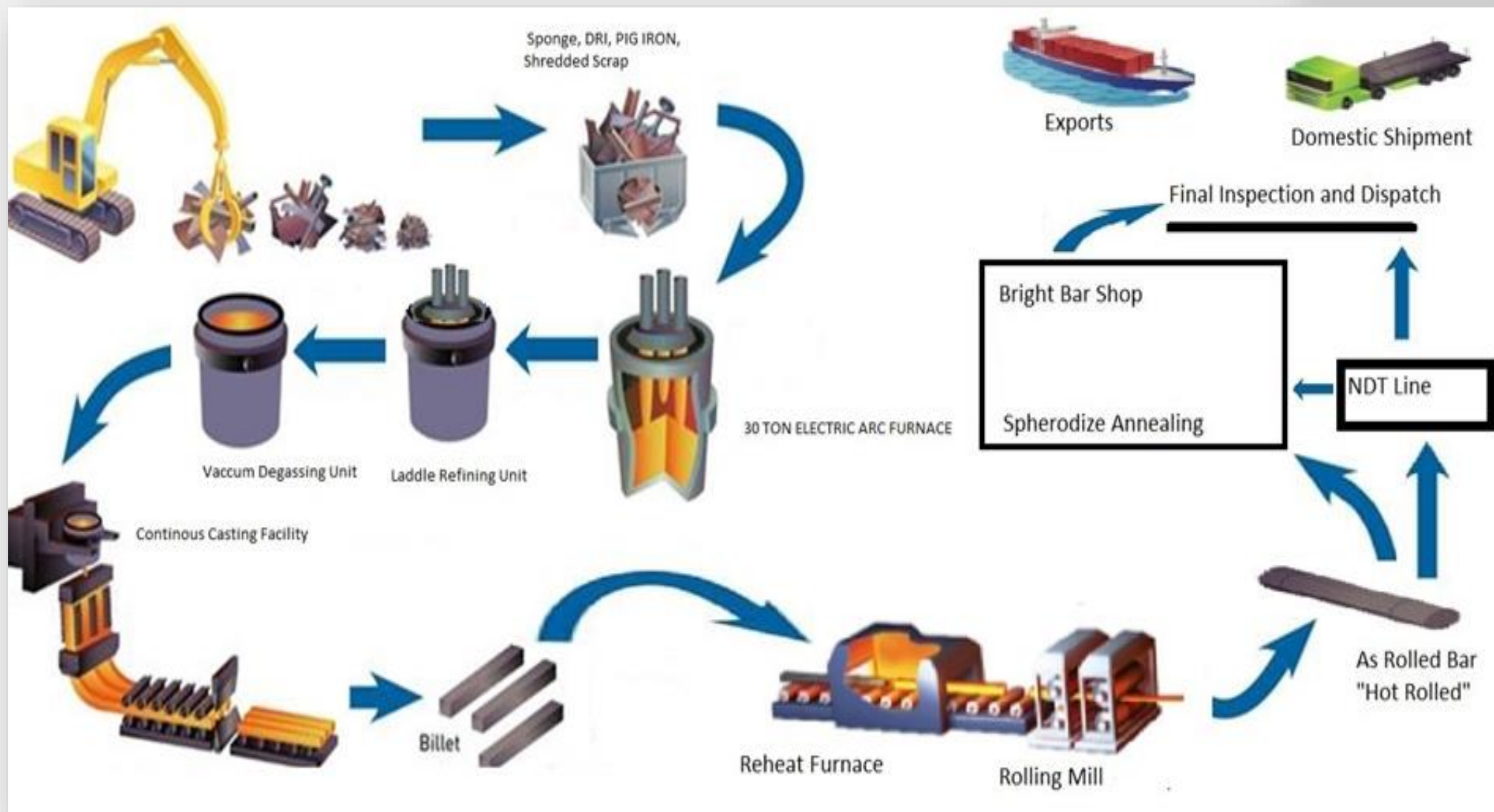
- **Annual Capacity : 2,00,000 TPA**
- Rolling Mill installed in 2013-14
- Mill with complete automation
- 33 TPH "Walking" Hearth Type Reheating Furnace
- Reversible 2 high shift able stand with Bar Manipulator
- 10 Continuous Stands in Horizontal & Vertical configuration
- Online Dimensional Measurements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



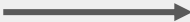
# In-House Steel Melting Shop



**Electric Arc Furnace**



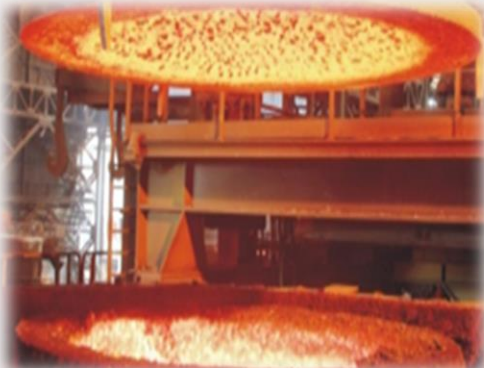
**Two Ladle Refining Furnace**



**Continuous Casting Machine**



**Vacuum Degassing**



# Rolling Mill & Bright Bars

## Rolling Mill



Reheating Furnace

Rolling Mill



## Bright Bar Shop



Spherodizing & Annealing  
Machines

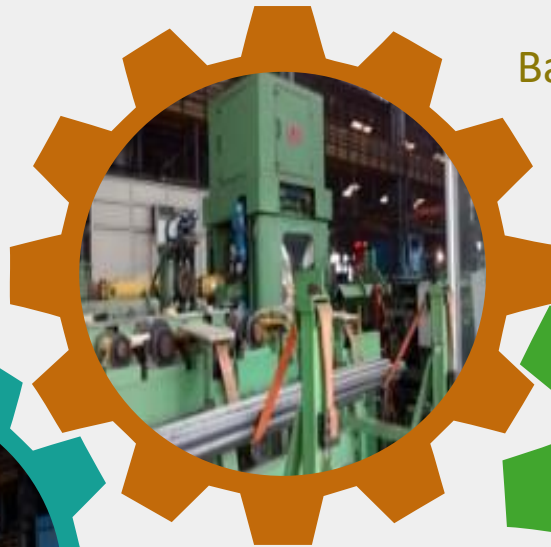
Bright Bar Shop



# Automatic Line of Bar Inspection - NDT Line



**Straightening**  
Straightness : 2mm /  
meter



**Chamfering**  
Bar ends free from  
Burr



**MFLT**  
Acceptance Criteria:  
0.2x10mm



**Shot Blasting**



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



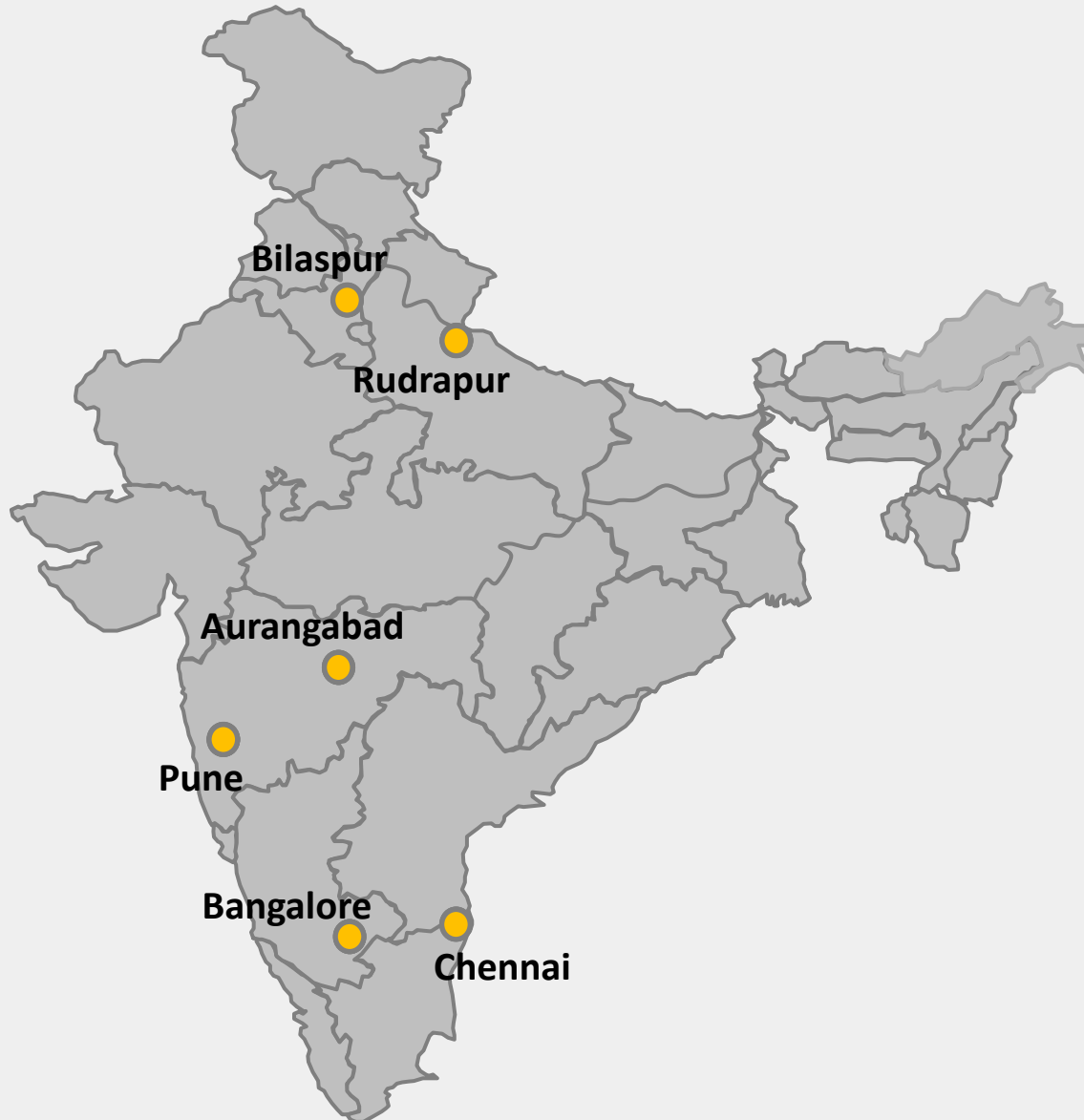
# Best in class R&D Facility



- **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 H<sub>2</sub>, N<sub>2</sub>, O<sub>2</sub> Analyzer
- Mobile Spectro and XRF for Mix up Testing of Bars
- **Mechanical and Metallurgical Testing Lab**
  - Rockwell Hardness Tester
  - Impact Testing Machine (Material Toughness)
- **Metallurgical Microscope with Image Analyzer**
  - Carl Zeis microscope with maximum magnification of 1000x
  - Olympus microscope with maximum magnification of 2000x
- **RADLAB-1 GAMMA RAY Spectrometer**
  - For Testing Steel Samples for Radiological Content
  - Can identify different types of Isotopes present in Steel Sample and show Results in Bq/gm
  - Samples Radiological content can be certified with 300 Second scan in RadLab "Well"
- **XRF Spectrometer** - Higher range & All input/ output material can be checked and chemically analysed



# 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



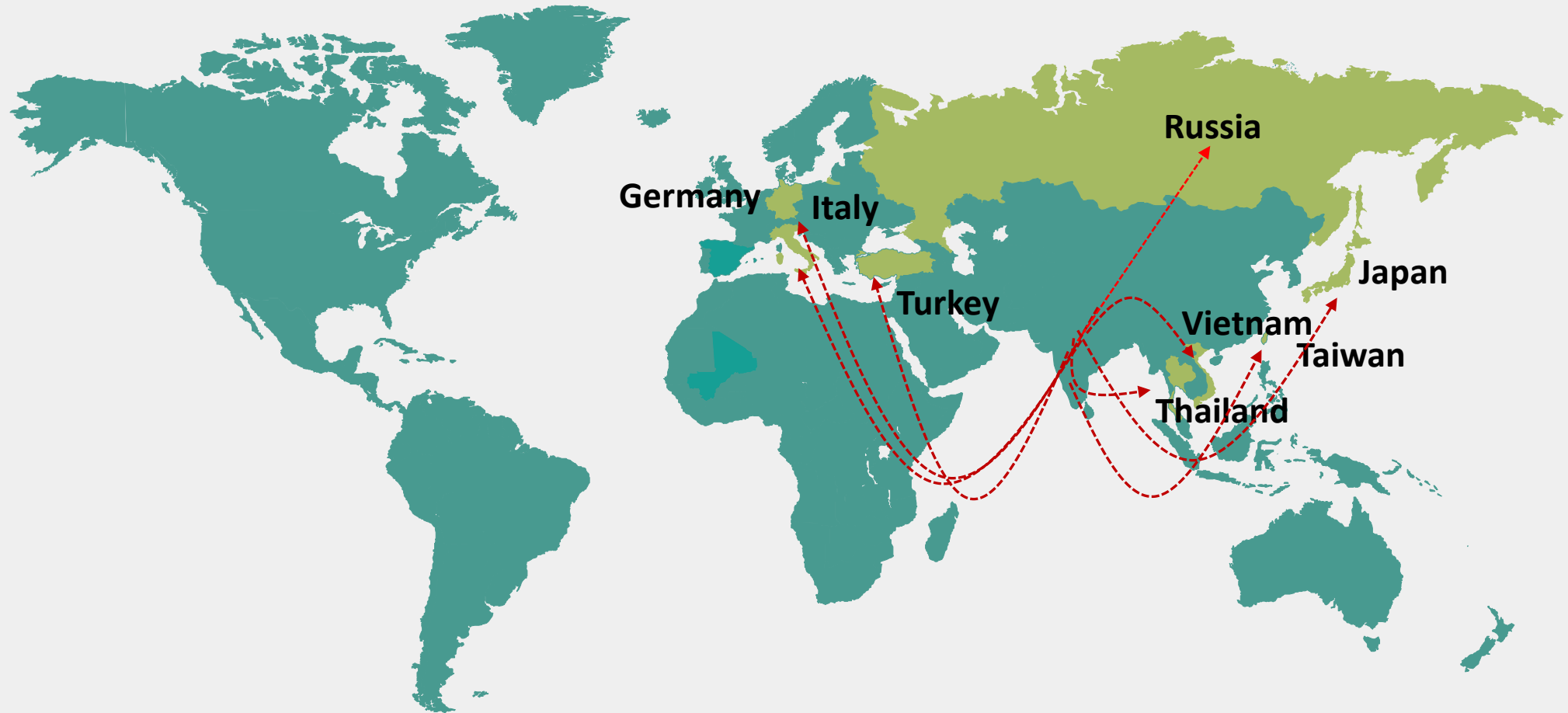
## Tractors



## Off Highway Vehicles



## ... Across Globe with Customer Base



**FY20 Export contributes 3%**



**Way Ahead**

# Investing in Our Real Assets

 **Vardhman Leadership Development Program**  
Park Plaza, Ludhiana - 16<sup>th</sup> to 20<sup>th</sup> January 2019



## 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 FY22
- 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



 <b>534392</b>	 <b>NSE</b> VSSL <small>National Stock Exchange of India Limited</small>	 <b>VSSL IN</b>	 <b>VARM.BO</b>
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