

# OUR COMPANY AT A GLANCE

## WHAT WE DO

Vardhman Special Steels Limited is one of India's leading steel bar producers for automotive applications.



**65.51%**

Promoters holding,  
Feb 28, 2018



**10.34%**

Institutional holding,  
Feb 28, 2018



**503.72**

Market capitalization,  
Mar 23, 2018 (Rs Crore)



**754.04**

Enterprise value,  
Feb 28, 2018 (Rs Crore)

**Billets**  
**1,85,000 MTPA**

**Rolled Bars**  
**1,85,000 MTPA**  
Manufacturing Capacity  
Feb 28, 2018



**200+**

Number of clients,  
Feb 28, 2018



**940**

Team size,  
Feb 28, 2018



**627.60**

Net Sales, (Nine Months)  
Dec 31, 2017 (Rs Crore)

# Vardhman Special Steels Limited Started in 1973



## Steel Melt Shop



Annual Capacity : 185,000 MT

## Rolling Mill



Annual Capacity : 185,000 MT

## Bright Bar Shop



Annual Capacity : 36,000 MT

## Area expansion :-

In case of further increase in volume, current layout has limited space for finishing and conditioning. We have purchased 8 acres of adjoining land to facilitate storage and finishing activities.

# Quality Certifications

ISO 9001

ISO 14001

OHSAS 18001

ISO/TS 16949

All accredited by DNV

# India's Best Companies To Work For 2012




INDIA'S BEST COMPANIES TO WORK FOR 2012

Vardhman Special Steels Limited

*Ranked among Top 50 Companies having upto 1000 employees*

*For inspiring Trust among your people, for instilling Pride in them, for creating an environment within the workplace that promotes Camaraderie and for many other reasons that make your organization one of India's best companies to work for.*

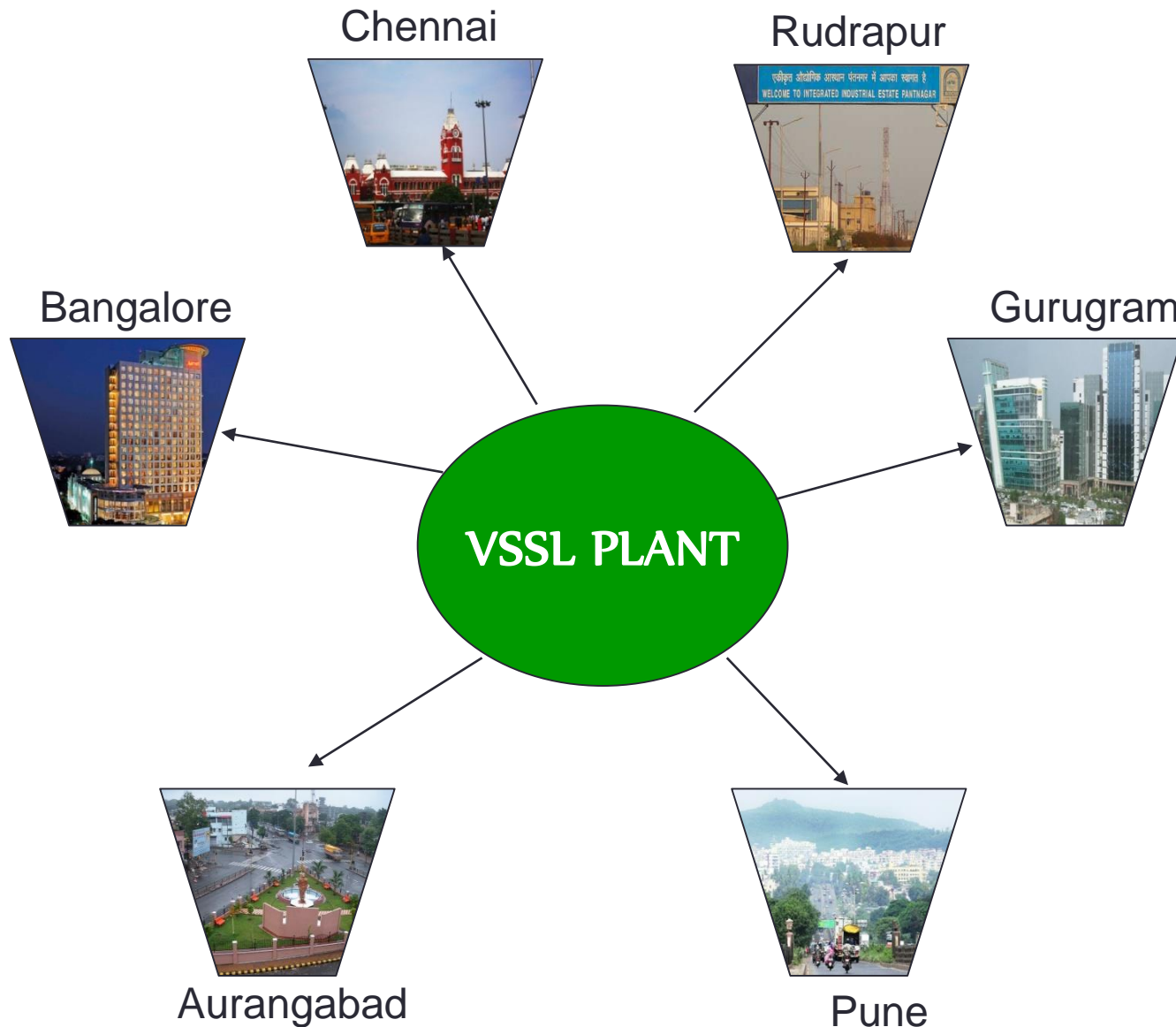
  
Pralesht Bhattacharya  
Chief Executive Officer  
Great Place to Work® Institute India

  
R. Anand  
CEO Publishing  
Bennett, Coleman & Co. Ltd.



THE ECONOMIC TIMES

# Distribution Network in India - Warehouses

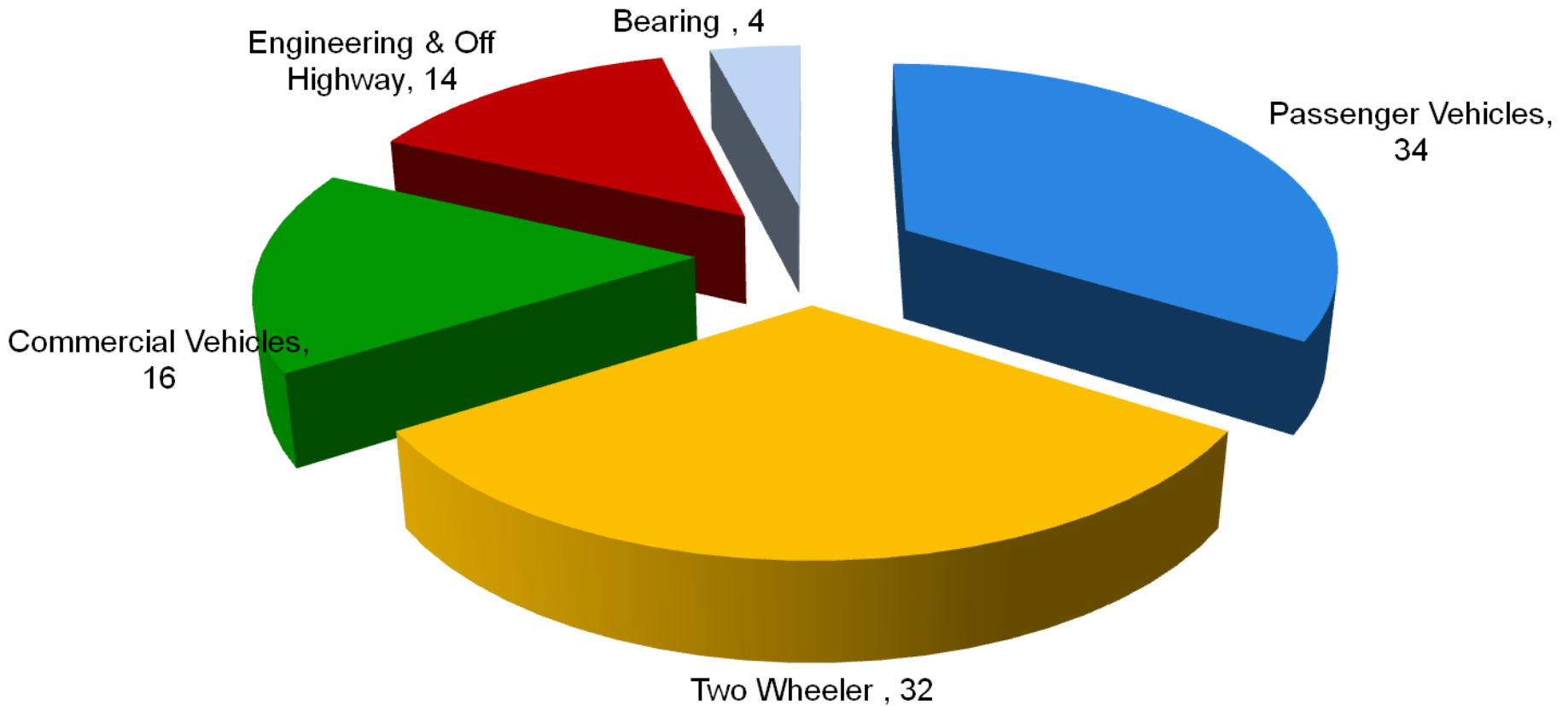


# Sector Wise Sales



Vardhman

## Sales(MT)



# Diversified Client List

## Cars



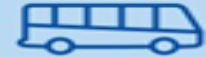
Toyota  
Hyundai  
Maruti Suzuki  
Renault  
Nissan  
Ford

## Two wheelers



Yamaha  
Hero Motocorp  
TVS  
Baia Auto  
Honda

## HCL/LCV



Tata  
Daimler  
Ashok Leyland  
Swaraj Mazda  
Volvo

## Auto Components



Oerlikon Graziano  
Meritor  
Magna  
GKN  
American Axle

## Tractor



John Deere  
Tafe  
Mahindra  
Sonalika  
New Holland

## Automotive Off Highway



Caterpillar  
Dana  
Jcb

*We have one of the widest customer approvals.*

# Healthy Business Growth



**11.17%**

Revenue growth  
(4 Year CAGR)



**40.97%**

Net profit growth  
(4-year CAGR)



**29.56%**

EBIDTA growth  
(4-year CAGR)



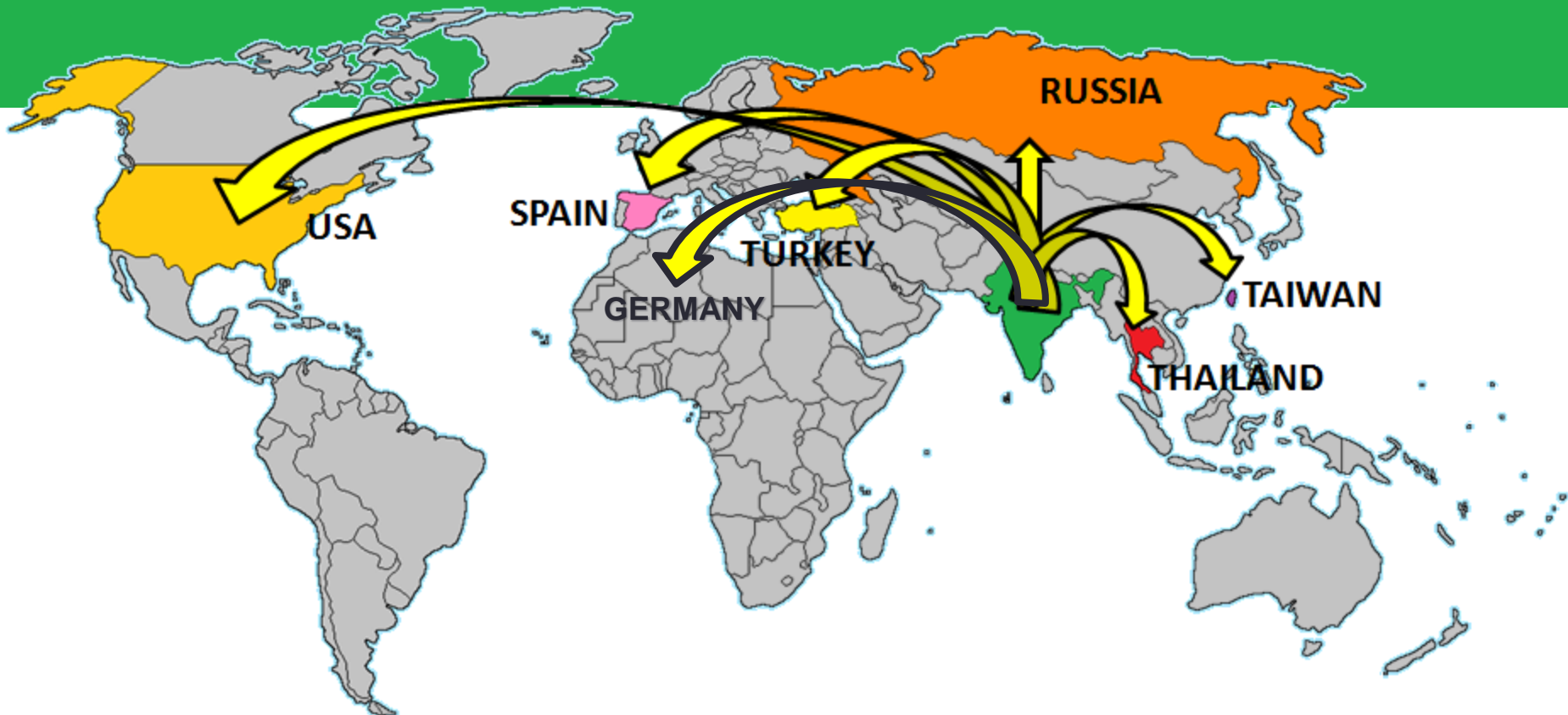
**0.37%**

Shareholders fund  
growth (4-year CAGR)

# OUR CUSTOMERS

“Through continuous improvement in business processes, knowledge and skills, we aim to achieve maximum customer satisfaction.”

We serve our customers all around the globe.



# Current Business Apprehension

## The Problem

- Recently Union Government announced that only electric vehicles (EVs) will be sold in India from 2030 with a view to reduce the effect of climate change. However, it looks like that 100% shift to (EVs) is unlikely to happen by 2030.

## Effects

- Threat in Long Term for new entrant.
- Future capacity expansion will be limited in this space.
- Can be viewed as a consolidation opportunity.
- Demand supply gap likely to increase due to no further incremental capacity coming up which could lead to increased supply margins in the ensuing years.

## Solution

- Exploring the possibility to develop the products which are used in Electric Vehicles.
- Invest in the technology to develop the products in non-automotive areas like Bearing Steel, Ultra Clean Steel for defense Applications, Tools and Die Steels etc.



## **RIGHT ISSUE**

- *Issued 1.357 Cr. Equity shares at Rs. 50/- per share to existing shareholders in May 17*
- *Out of the issue, 12 Lac shares were reserved for employees.*
- *Total Proceeds from the issue was Rs. 67.85 Cr.*

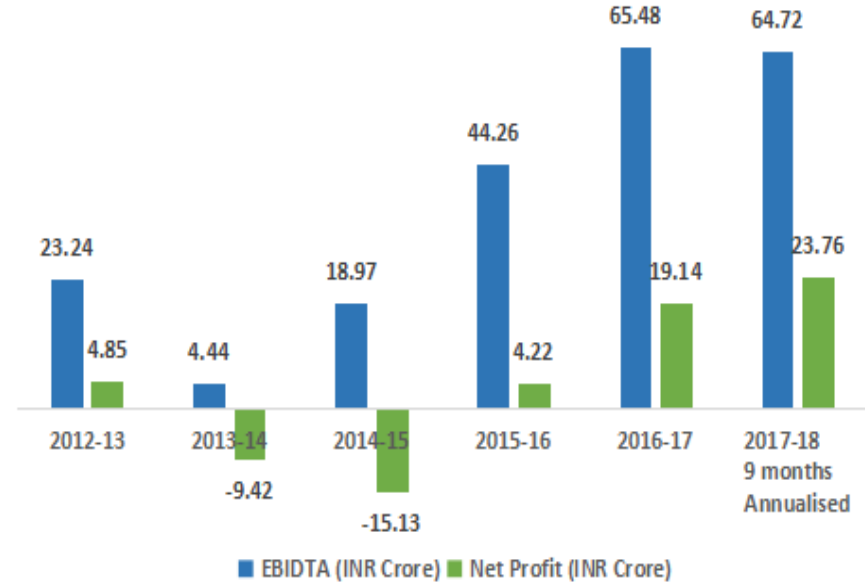
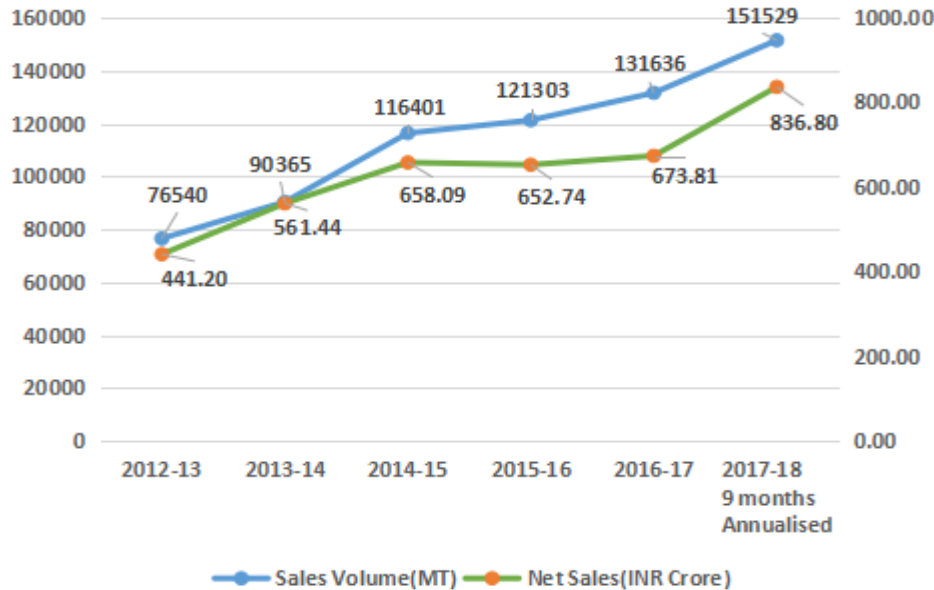
## **QIP**

- **Raised Rs 50 Cr via QIP in the month of Feb 18 at Rs 140/- per share.**
- **Most funds to be used towards Capex.**
- **Sundaram Alternative Fund & DSP Blackrock MF picked up 5% each via QIP.**
- **Debt equity reduced from its high of 2:1 to below 0.60:1.**

# Our Edge Over Peers ...which has yielded good returns!



# Our Performance Over The Years



Our customer's confidence Strengthened

**14** Customers (Tier 1's & Tier 2's) giving us more than 60% of their business (2011-12)

**21** Customers (Tier 1's & Tier 2's) giving us more than 60% of their business (2016-17)

Sales volumes increased

**93,169** MT Sales volumes (2011-12)

**1,51,000** MT Sales Volume (2017-18) Estimated

Our steel production jumped (billets)

**99,893** MT Steel production (2011-12)

**1,67,000** MT Steel Production (2017-18) Estimated

# Key Financials

Particulars	Rs. In Crores			\$ In million		
	FY'16	FY'17	FY'18 upto Dec	FY'16	FY'17	FY'18 upto Dec
Revenues	729.33	756.52	646.53	112.20	116.39	99.47
EBITDA	45.77	65.26	48.55	7.04	10.04	7.47
Margin %	6.28%	8.63%	7.51%	6.28%	8.63%	7.51%
PBDT	22.24	36.98	33	3.42	5.69	5.08
Margin %	3.05%	4.89%	5.11%	3.05%	4.89%	5.11%
PAT	5.21	19.01	17.82	0.80	2.92	2.74
Margin %	0.71%	2.51%	2.76%	0.71%	2.51%	2.76%
Net Worth	179.17	198.24	283.76	27.56	30.50	43.66
Net Debt	326.76	315.04	224.70	50.27	48.47	34.57
ROCE	9.05%	12.71%	12.73%*	9.05%	12.71%	12.73%*
RONW	12.41%	18.65%	15.52%*	12.41%	18.65%	15.52%*
EPS - Basic	2.81	10.28	7.68*	0.04	0.16	0.12*

All currency conversions in the presentation has been done at 1 US\$ = INR 65

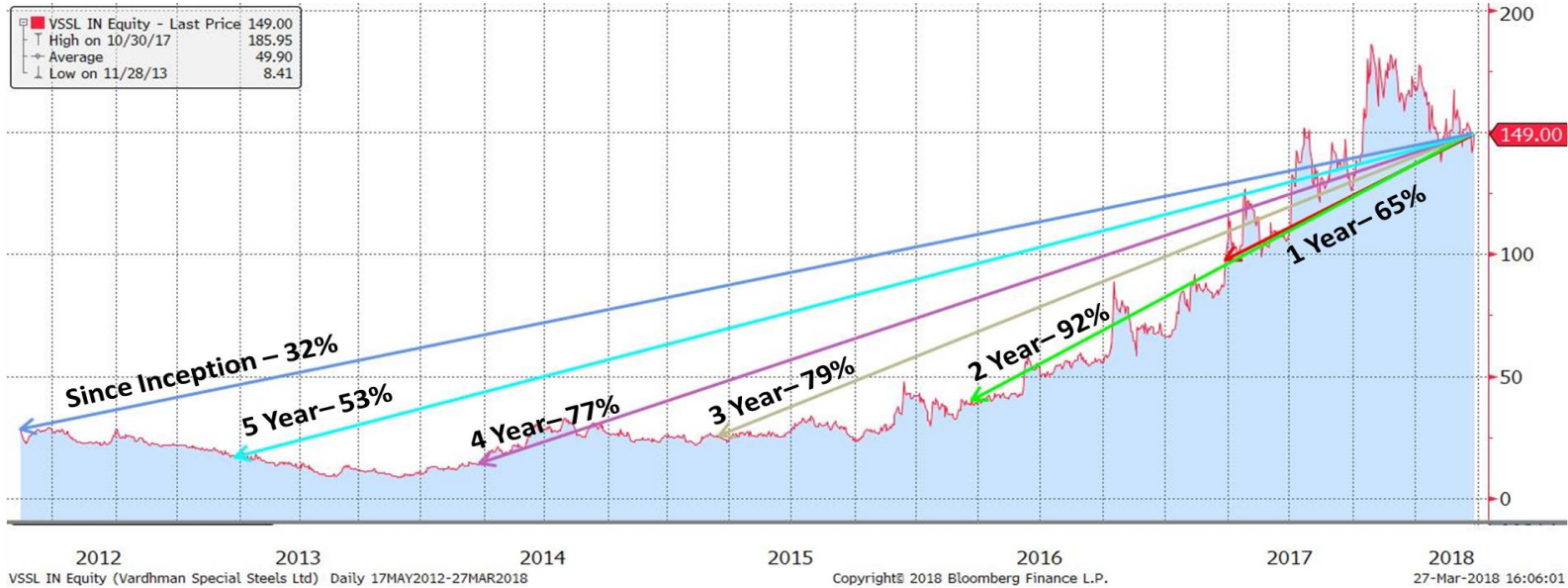
All figures are for Vardhman Special Steels Ltd on consolidated basis.

\*ROCE, RONW & EPS has been Annualised.

# Understanding our profitability & risk drivers

- **Our profitability is closely linked to the raw material prices. The sales price fixation happens every 6 months and the next increase is due on 1<sup>st</sup> April 2018.**
  - **In the era of increasing raw material prices, our margins get squeezed and the benefit of increased sales prices is available to us after a time lag of 6 months.**
  - **In the same manner, in the periods of falling prices, our margins will be at elevated levels for a period of 6 months till the next correction happens.**
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- **Our performance was hit negatively in the first 3 quarters of FY 17-18 because of steep increase in prices of graphite electrode. This can play role of spoiler in future as well.**

# Historical Stock Returns (Annualised)

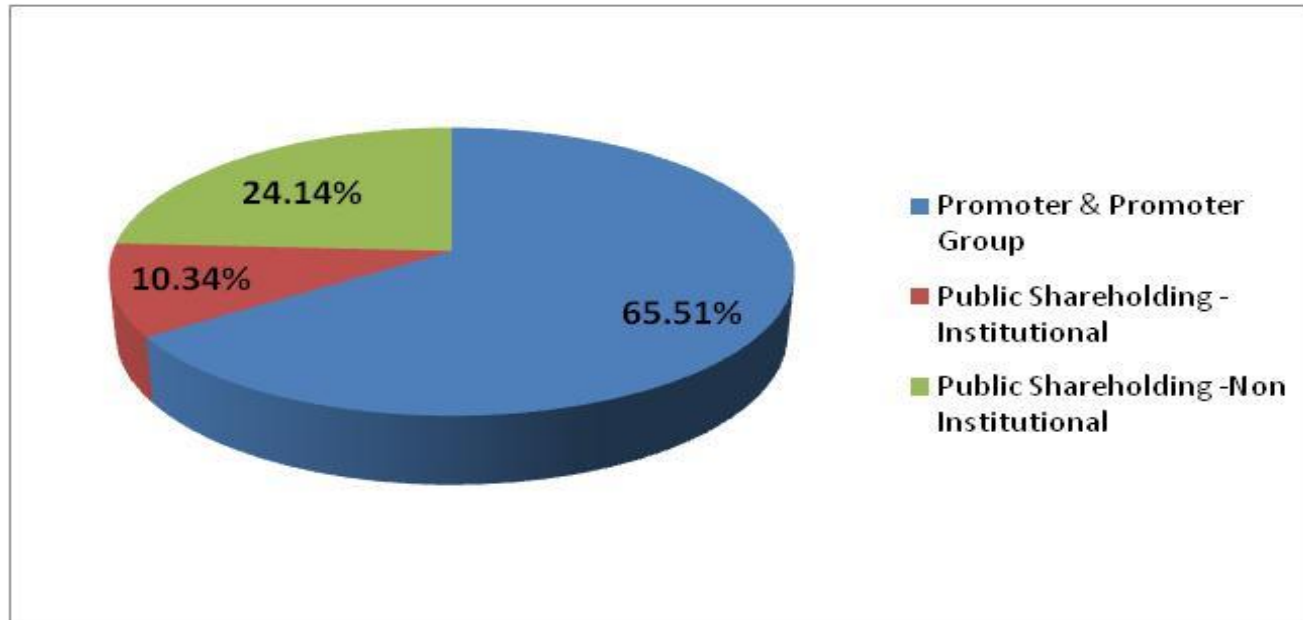


CMP @ 23.03.2018 (INR) 142

Returns over:

Since Inception	32%
5 Years	53%
4 Years	77%
3 Years	79%
2 Years	92%
1 Year	65%

# Shareholding Pattern- Post QIP



Mr. Sachit Jain – Vice Chairman & Managing Director intends to increase his stake in the company by 1% post Rights Issue for which he is buying VSSL shares from the market since last year . Of that 1%, he has already purchased 0.88% as on 23.03.18 and his stake stands at 12.61%.There are no further plans to do any additional buying by either Mr. Sachit Jain or any other promoter in the near future.

# Capex Plan for next 3 Years

**We intend to undertake a Capex of Rs 210 Cr over the next 3 years which includes :**

- **Up gradation of Melting Shop, R&D and other common facilities.**
  - **Up gradation of Rolling Mill.**
  - **Expansion of Bright Bar Shop.**
  - **Purchase of Adjoining 8 Acres of Land.**
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- **After the above Capex, the management expects to achieve an average EBITDA in the range of Rs 4000-6000 per tonne as a normal prediction which translates into achieving an EBITDA target of Rs 120 Cr in the year 2021-22.**



# Capacity Expansion Plans

- ❖ **Increasing the melting capacity from its current level of 1,85,000 TPA to 2,40,000 TPA.**
  - a) Increasing the heat size which we are planning to achieve by changing the shell of melting furnace with higher capacity of 35 tons as compared to the present capacity of 30 tons.
  - b) Reducing the melting time which we are planning to do by adding chemical energy by putting in Virtual Lance Burners (VLBs).
  - c) Addition of one more Ladle Refining Furnace (LRF), one more Vacuum Degassing (VD) Station and some additional equipment to increase the redundancy in the system.
  
- ❖ **Increase in Rolling Mill capacity from the current level of 1,85,000 TPA to 2,20,000 TPA.**
  - a) Changing the Re-heating Furnace (RHF) with higher capacity.
  - b) Adding two more rolling stands.

## Other Benefits:

- ❖ The Government of Punjab has implemented two part tariff with effect from 1st January, 2018 wherein the variable rate has been fixed at Rs.5/- per unit in addition to fix charges. With this, we will be benefitted by about Rs. 12 crore p.a. from 2018-19.
- ❖ The Government of Punjab has also taken initiative for extending interim fiscal incentives to the eligible industries under its Fiscal Incentives for Industrial Promotion (FIIP) Policy 2013. Consequent upon its implementation, we will start getting 50% exemption of electricity duty on incremental consumption of power over the previous consumption level.

# Way Forward.....Unfinished Agenda

**To increase the melting capacity to 2,40,000 MT and rolling capacity to 2,20,000 MT over the next 3 years by undertaking capex of approx Rs 200 Cr.**

**Looking for a joint venture in down stream value added products namely bright bar.**

**Strong technical alliance with global player for automotive steels.**

**Explore value added products like high alloy steel through ingot casting route along with a technical alliance/ JV .**

# Non- Independent Directors



Rajeev Gupta	Independent Director	He is B. Tech from BHU/IIT, Varanasi and M.B.A. from IIM, Ahmedabad.	He has an experience of more than 34 years in manufacturing, investment banking and private equity. He has set up M&A Investment Banking Firm Arpwood Capital Ltd and Arpwood Partners, LLP.
Sachit Jain	Vice Chairman & Managing Director	He holds degree in B. Tech (Electrical) from IIT, New Delhi and MBA (Gold medalist) from IIM, Ahmedabad. He has also done Owner/Promoter Management Program from Harvard, USA.	He had started his professional career with Hindustan Lever in 1989 before he joined Vardhman Group. He has a rich experience of over 26 years in the Textile and Steel Industry.
Suchita Jain	Non-Executive & Non-Independent Director	She holds degree in Masters in Commerce from Panjab University Chandigarh.	She is having experience of more than 23 years in Textiles Industry. She was instrumental in starting Fabric manufacturing (both grey and processed) in group company Vardhman Textiles Limited.
Rajinder Kumar Jain	Non-Executive & Non-Independent Director	He holds degree in Chartered Mechanical Engineer from Institution of Mechanical Engineers London.	He retired as General Manager from Indian Railways after 35 years of service
B.K Choudhary	Non-Executive & Non-Independent Director	He holds degree in B.Sc., M.Com and M.B.A.	He has a rich experience of more than 43 years in Steel & Textiles Industry. He is Managing Director of Vardhman Acrylics Limited and also looks after one of the integrated Textile Unit of Vardhman Textiles Limited, namely, Vardhman Fabrics, Budhni.

# Independent Directors



Name	Designation	Qualification	Experience
Jayant Davar	Independent Director	He is a Mechanical Engineer	He has an experience of more than 29 years in the Auto Industry. He is Chairman-cum-Managing Director of Sandhar Technologies Limited.
Sanjeev Pahwa	Independent Director	He is B. Tech from IIT, Delhi	He has an experience of more than 25 years in the field of bicycle/ automobiles tyres and tubes industry and bicycle components. He is Chairman-cum-Managing Director of Ralson (India) Limited.
Sanjoy Bhattacharyya	Independent Director	He holds degree in Bachelor of Science (Statistics Honours) and M.B.A. from IIM, Ahmedabad.	He worked as the Chief Investment Officer of HDFC Asset Management Company and is now a Director of consulting firm, Management Structure & Systems Private Limited. He has worked for more than 20 years in equities and investment management.

Thank you

