



# Vardhman

Delivering Excellence. Since 1965.

## VARDHMAN SPECIAL STEELS LIMITED

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**Ref. VSSL:SCY:JAN:2020-21**

**Dated: 20-Jan-2021**

BSE Limited,  
New Trading Ring,  
Rotunda Building, P.J. Towers,  
Dalal Street, 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 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 Un-Audited Financial Results of the Company for the quarter/ nine-months ended 31<sup>st</sup> December, 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,

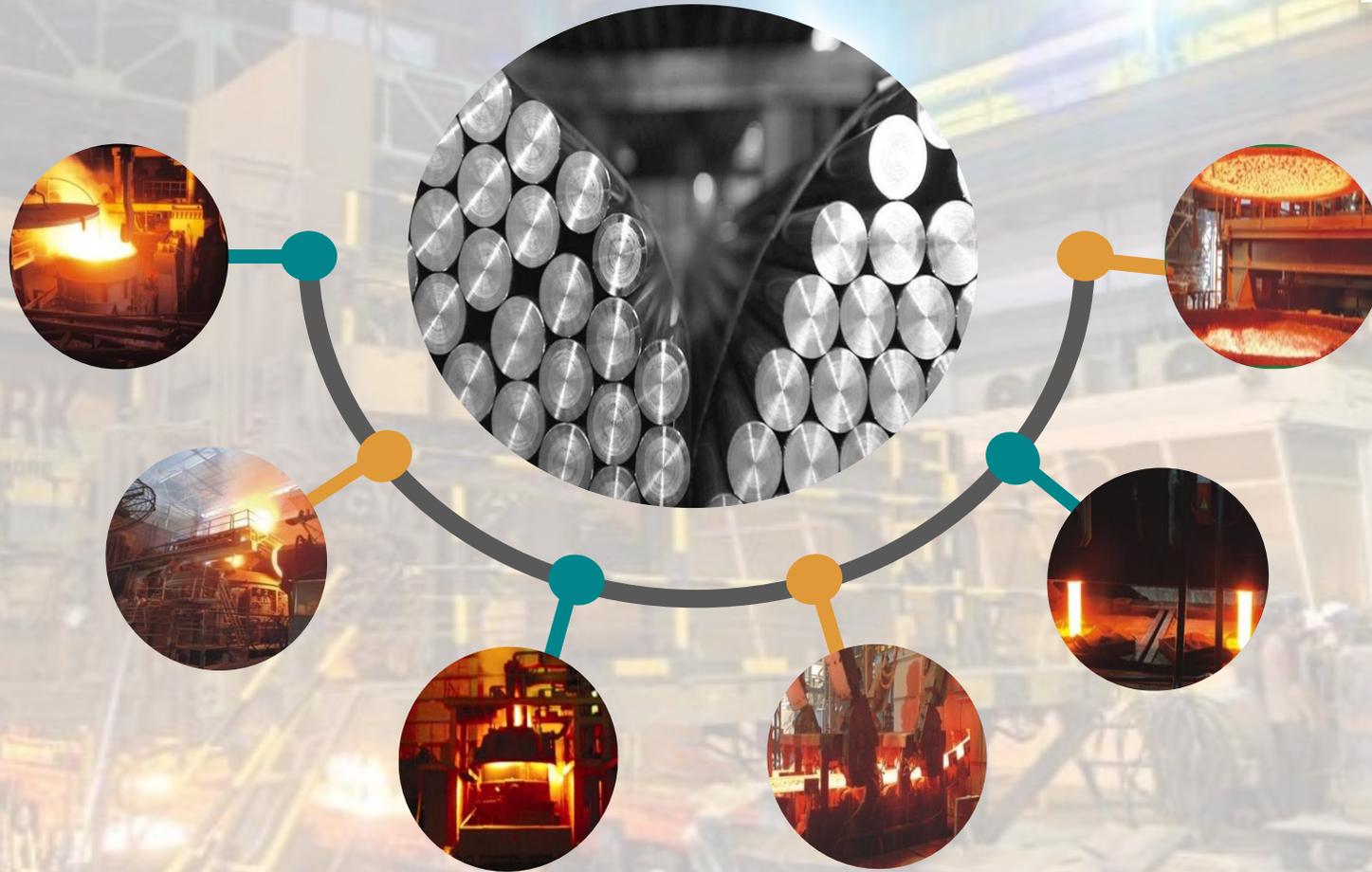
For VARDHMAN SPECIAL STEELS LIMITED


(SONAM TANEJA)  
Company Secretary

YARNS | FABRICS | THREADS | GARMENTS | FIBRES | STEELS

PAN NO.: AADCV4812B CIN: L27100PB2010PLC033930  
WWW.VARDHMANSTEEL.COM



# Vardhman Special Steels Limited

Result Update Presentation  
Q3 & 9M FY21

# Disclaimer

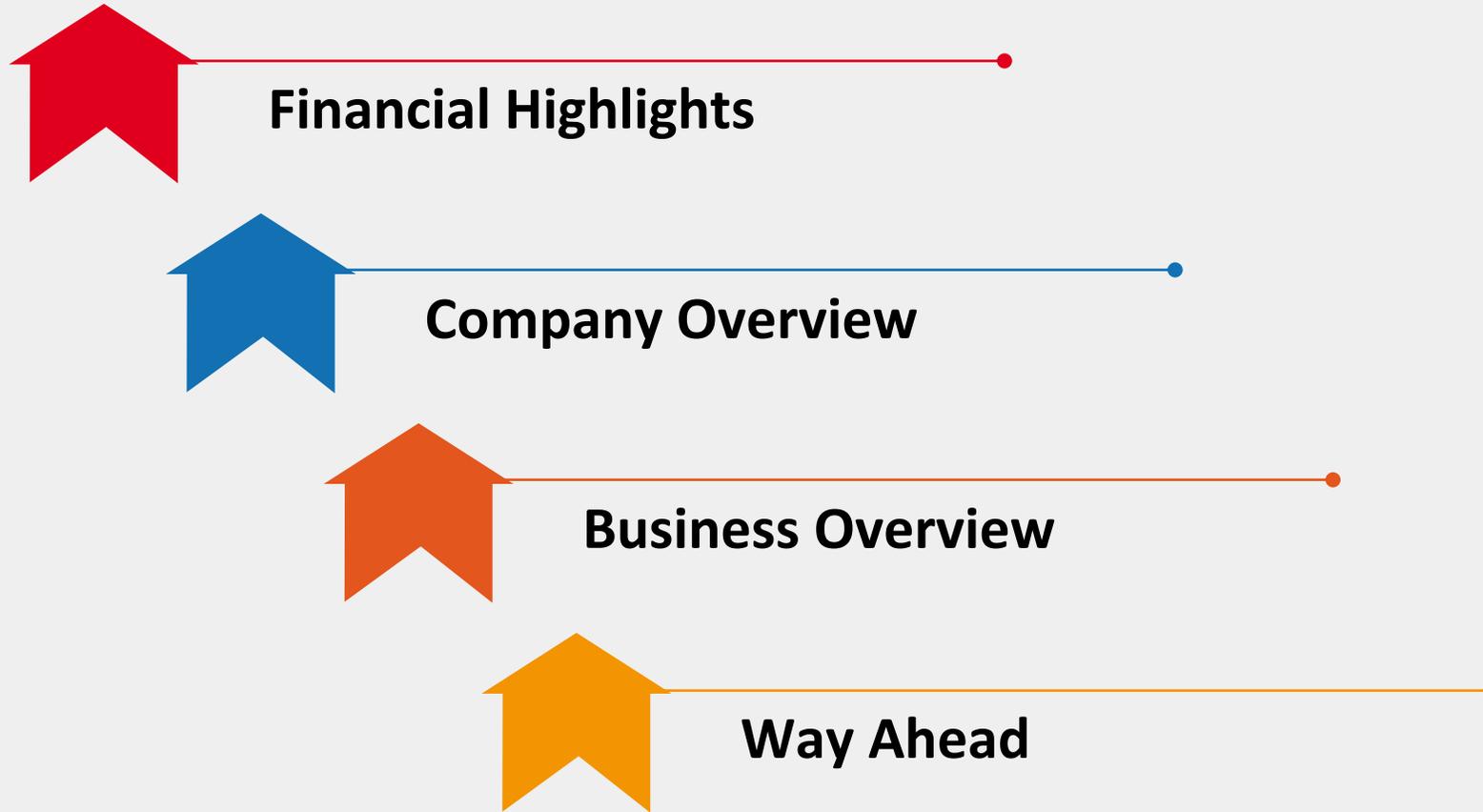


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# Table of Contents



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 a small dot of the same color. 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 –***

*“The growing demand in the automotive sector and strong demand from OEMs/component manufacturers for our products has helped us to overcome headwinds and post a good performance in terms of volumes in the third quarter. During the quarter, our sales volumes stood at 45,964 tonnes with a revenue of Rs. 288 crores and for nine months volumes stood at 1,02,437 tonnes with a revenue of Rs. 603 crores.*”

*I am pleased to share that our third quarter growth has demonstrated a very satisfactory outcome of our ability to achieve set targets, capture strong demand and be meaningful to our customers. It shows our customers, our strong support, our resilience and our way of working and never compromising on quality of our products. On this front we have been constantly engaged in improving our efficiencies and our volumes, thereby improving our EBITDA per ton and have revised our targets of the same from the earlier Rs 4,500-6,000 to now Rs. 5,000-7,000. We further hope to revise this range upwards in a couple of years when our expansion gets approved and Aichi business starts. This quarter performance has been beyond our normal range.*

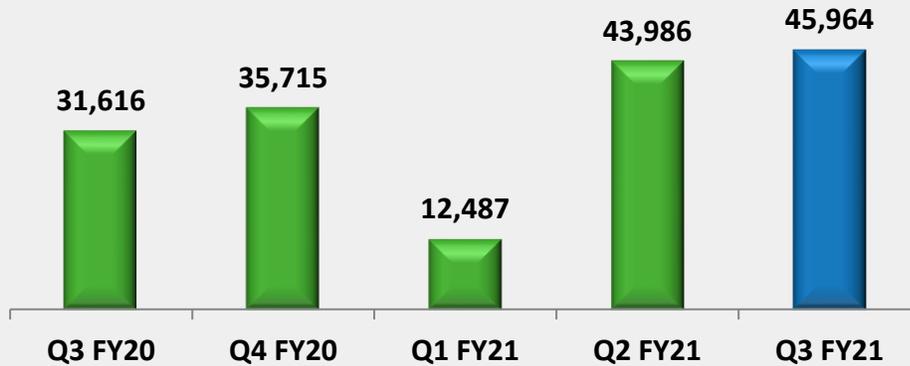
*We are now adding a new focus of improving our RoCE and hope to achieve a RoCE of 20% by 2025. We hope to achieve this by increasing our volumes, improving networking capital. In this financial year, we are targeting to cross 14% RoCE and hope to achieve our target.*

*Overall, we remain focused on managing the business for the long term, transforming our business and our ways of working. I am thankful to the entire team at Vardhman for overcoming the uncertainties and driving value for our stakeholders.”*

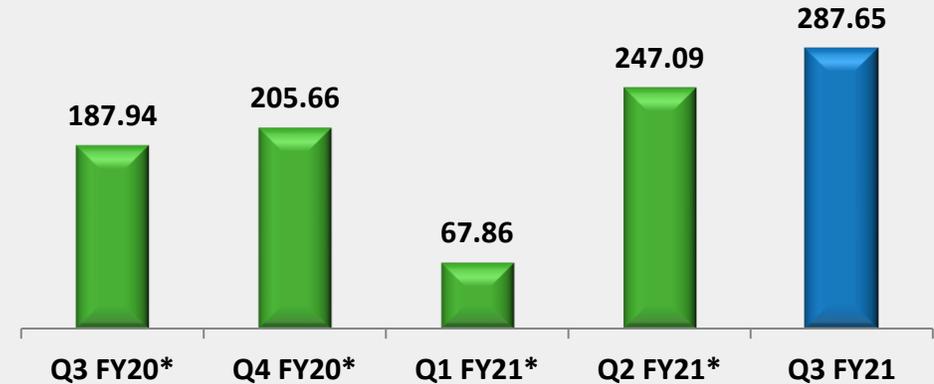


# Financial Highlights - Quarterly

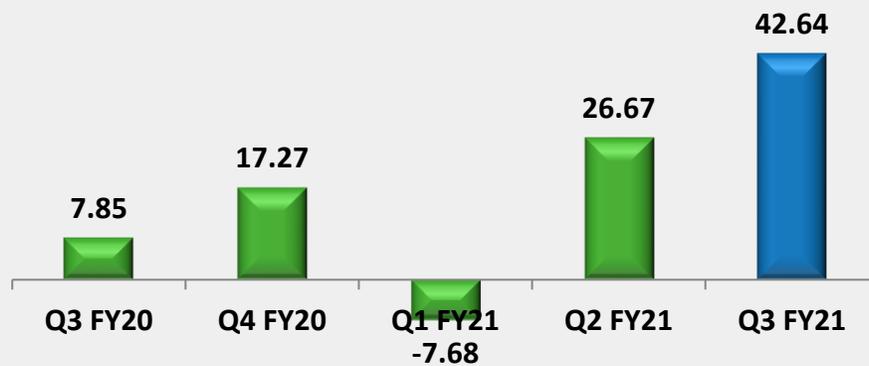
Sales Volumes (tonnes)



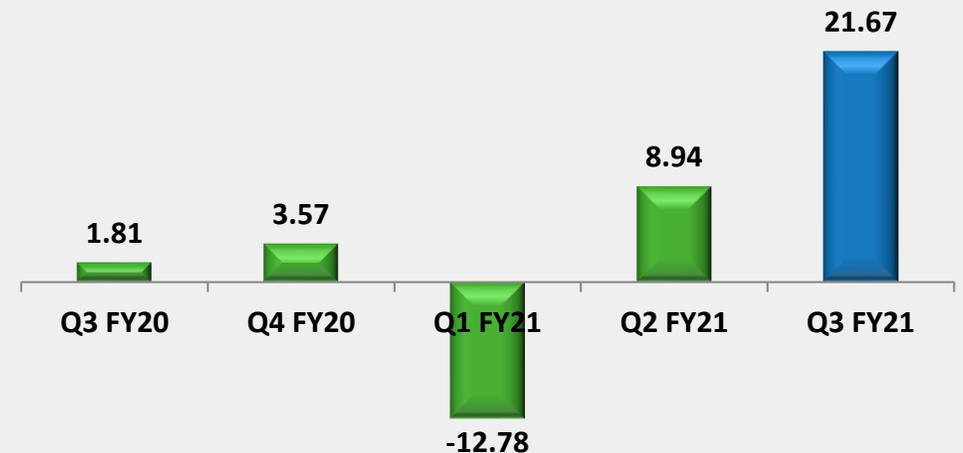
Revenue from Operations (Rs. Crore)



EBITDA (Rs. Crore)#



PAT (Rs. Crore)



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

# Financial Highlights – Q3 FY21

INR Crore	Q3 FY21	Q3 FY20	Y-o-Y %	Q2 FY21
<b>Revenue From Operations</b>	<b>287.65</b>	<b>187.94*</b>	<b>53.05%</b>	<b>247.09*</b>
Other Income	3.19	1.91		5.59
<b>Total Income</b>	<b>290.84</b>	<b>189.85</b>	<b>53.20%</b>	<b>252.67</b>
Cost of Materials Consumed	174.31	101.94		130.25
Purchases of Stocks	0.00	0.00		0.00
Changes In Inventory	-22.63	8.02		18.86
<b>Raw Material Expenses</b>	<b>151.68</b>	<b>109.96</b>		<b>149.11</b>
Employee Expenses	17.87	12.50		12.63
Power & Fuel	36.48	26.14		34.37
Other Expenses	42.17	33.40		29.89
<b>Total Expenditure</b>	<b>248.20</b>	<b>182.00</b>		<b>226.00</b>
<b>EBITDA</b>	<b>42.64</b>	<b>7.85</b>	<b>443.42%</b>	<b>26.67</b>
Depreciation	6.74	6.72		6.79
Interest / Finance Cost	4.95	5.98		4.82
<b>PBT</b>	<b>30.95</b>	<b>(4.85)</b>		<b>15.06</b>
Tax	9.29	(6.66)		6.12
<b>PAT</b>	<b>21.67</b>	<b>1.81</b>	<b>1097.06%</b>	<b>8.94</b>
<b>Basic EPS in Rs.</b>	<b>5.36</b>	<b>0.47</b>	<b>1040.43%</b>	<b>2.21</b>

- Q3 FY21 volumes stood at **45,964 tons** YoY growth of **45.38%**, mainly on account of strong demand from automotive sector
- Increase in revenue of 53.05% mainly on account of combination of sales volumes and sales price
- **EBITDA Y-o-Y growth of 443.42%**, mainly on account of increase in sales volumes, better realizations and higher operational efficiencies

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

# Financial Highlights – 9M FY21



INR Crore	9M FY21	9M FY20	Y-o-Y %
<b>Revenue From Operations*</b>	<b>602.60</b>	<b>640.54</b>	<b>(5.92%)</b>
Other Income	10.55	7.94	
<b>Total Income</b>	<b>613.15</b>	<b>648.47</b>	<b>(5.45%)</b>
Cost of Materials Consumed	343.34	279.95	
Purchases of Stocks	0.00	4.30	
Changes In Inventory	1.03	130.01	
<b>Raw Material Expenses</b>	<b>344.37</b>	<b>414.26</b>	
Employee Expenses	41.21	35.64	
Power & Fuel	82.55	68.86	
Other Expenses	83.39	97.85	
<b>Total Expenditure</b>	<b>551.51</b>	<b>616.62</b>	
<b>EBITDA</b>	<b>61.63</b>	<b>31.86</b>	<b>93.46%</b>
Depreciation	20.22	19.17	
Interest / Finance Cost	14.90	20.63	
<b>PBT</b>	<b>26.51</b>	<b>(7.94)</b>	
Tax	8.67	(7.72)	
<b>PAT</b>	<b>17.83</b>	<b>(0.22)</b>	<b>8248.77%</b>
<b>Basic EPS in Rs.</b>	<b>4.41</b>	<b>(0.06)</b>	<b>7450.00%</b>

- *Nine months volumes stood at **1,02,437 tonnes** – YoY growth of **0.95%**, despite Q1 performance that was impacted by COVID-19 nationwide lockdown, sales volumes performance of Q2 & Q3 FY21 helped to achieve volumes for nine months*
- *Decline in revenue, mainly on account of lower sales realization in first half of financial year especially in first quarter*
- *EBITDA growth of **93.46%** mainly on account of increase in sales volumes, better realizations and higher operational efficiencies*
- *RoCE<sup>#</sup> stands at 11.50% on nine months annualized basis*

\* Includes sale of raw material and traded goods, #Capital employed in RoCE does not include unutilized funding of Rs. 50 cr from Aichi Steels as it is deposited in FD

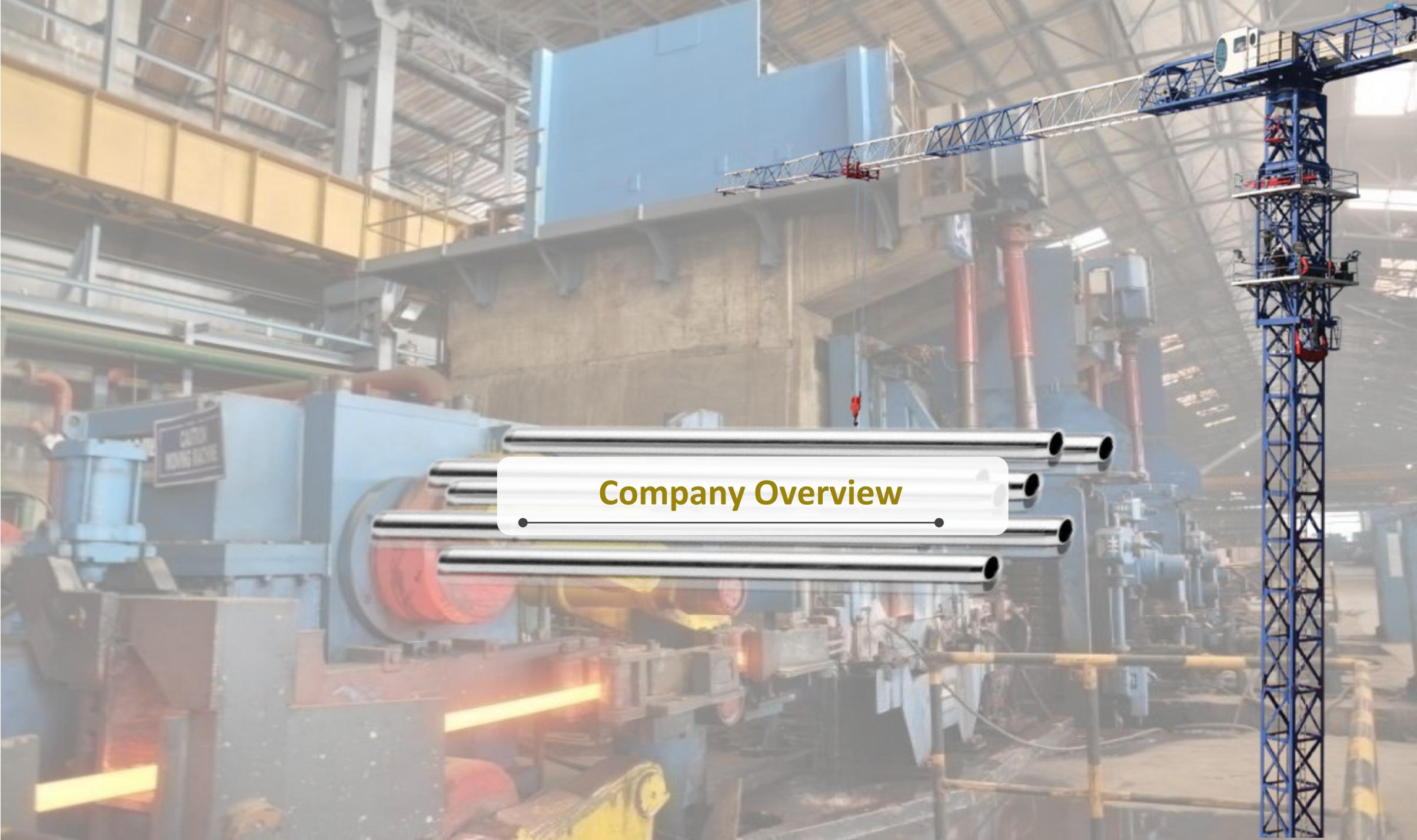
# Balance Sheet Highlights



INR Crore	As on 30 <sup>th</sup> Sept'20	As on 31 <sup>st</sup> Mar'20
<b>Equity*</b>	<b>409.29</b>	<b>413.63</b>
Equity Share Capital	40.39	40.39
Other Equity	368.90	373.24
<b>Non-current liabilities</b>	<b>123.56</b>	<b>110.95</b>
<b>Financial Liabilities</b>		
Borrowing	120.81	107.84
Lease Liability	1.02	1.49
Other Financial Liabilities	0.20	0.18
Provisions	1.30	1.20
Other Non Current Liabilities	0.23	0.23
<b>Current liabilities</b>	<b>260.87</b>	<b>245.66</b>
<b>Financial Liabilities</b>		
Borrowings	163.76	148.62
Lease Liabilities	0.10	0.14
Trade Payables		
Total O/s dues of Micro, Small Enterprises	0.77	1.27
Total O/s other Than Above	52.11	60.46
Other Financial Liabilities	31.81	27.09
Provisions	1.49	0.86
Other Current Liabilities	10.82	7.21
<b>Total Equity &amp; Liabilities</b>	<b>793.73</b>	<b>770.24</b>

INR Crore	As on 30 <sup>th</sup> Sept'20	As on 31 <sup>st</sup> Mar'20
<b>Non-Current Assets</b>	<b>346.28</b>	<b>409.37</b>
Property Plant & Equipment	297.86	308.31
Capital work in progress	13.49	12.33
Other intangible assets	0.19	0.25
Right of Use Asset	0.98	1.55
<b>Financial Assets</b>		
Long Term Loans	0.85	0.84
Other Financial Assets	0.00	51.38
Deferred Tax Assets (Net)	20.57	19.96
Current Tax Assets (Net)	1.33	2.94
Other Non-Current Assets	11.00	11.81
<b>Current Assets</b>	<b>447.45</b>	<b>360.87</b>
Inventories	131.78	151.78
<b>Financial assets</b>		
Investments	0.00	5.00
Trade receivables	204.56	179.89
Cash & Cash equivalents	3.62	2.30
Other Bank Balance	50.00	0.00
Loans	0.83	0.91
Other financial assets	3.81	1.68
Assets Held for Sale	2.16	10.12
Other Current Assets	50.70	9.17
<b>Total Assets</b>	<b>793.73</b>	<b>770.24</b>

\*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



## 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.

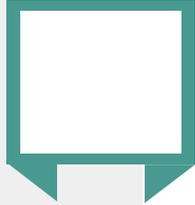
2016 - 2017

- **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

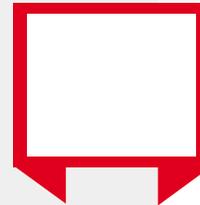
... Transforming into one of India's leading steel bar producers

# 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



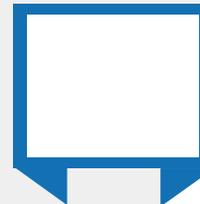
## **Mr. Sachit Jain** **Vice Chairman & MD**

- 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



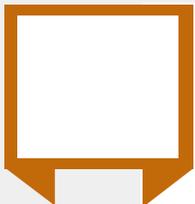
## **Ms. Suchita Jain** **Non-Executive Director**

- 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

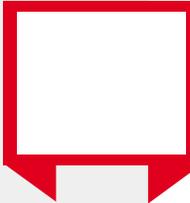


# Strong Experienced Board of Directors contd...



## **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



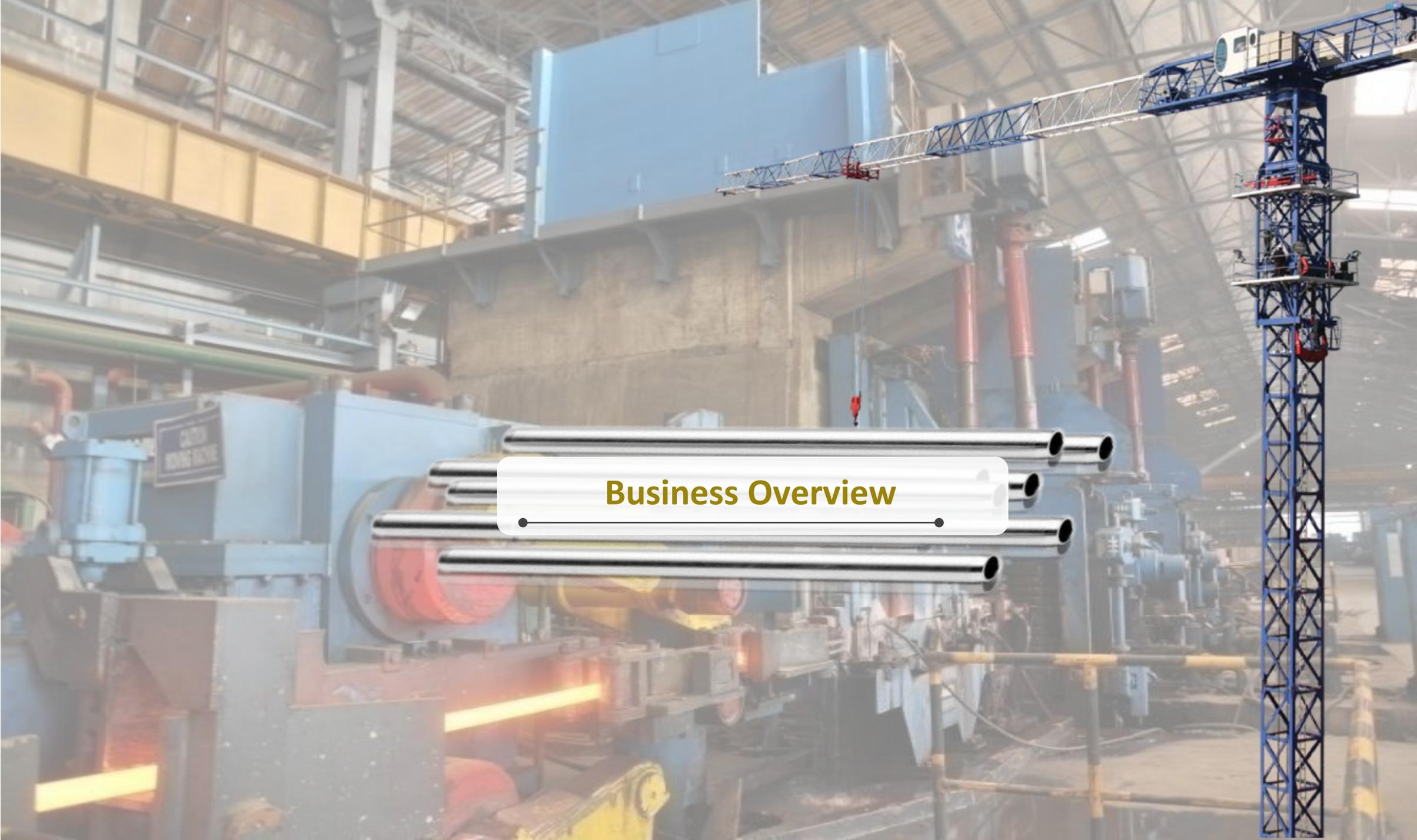
## **Ms. Shubhra Bhattacharya** Independent Director

- 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 background shows a complex structure of pipes and machinery. The text "Business Overview" is overlaid on a white rounded rectangle in the center.

## 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**

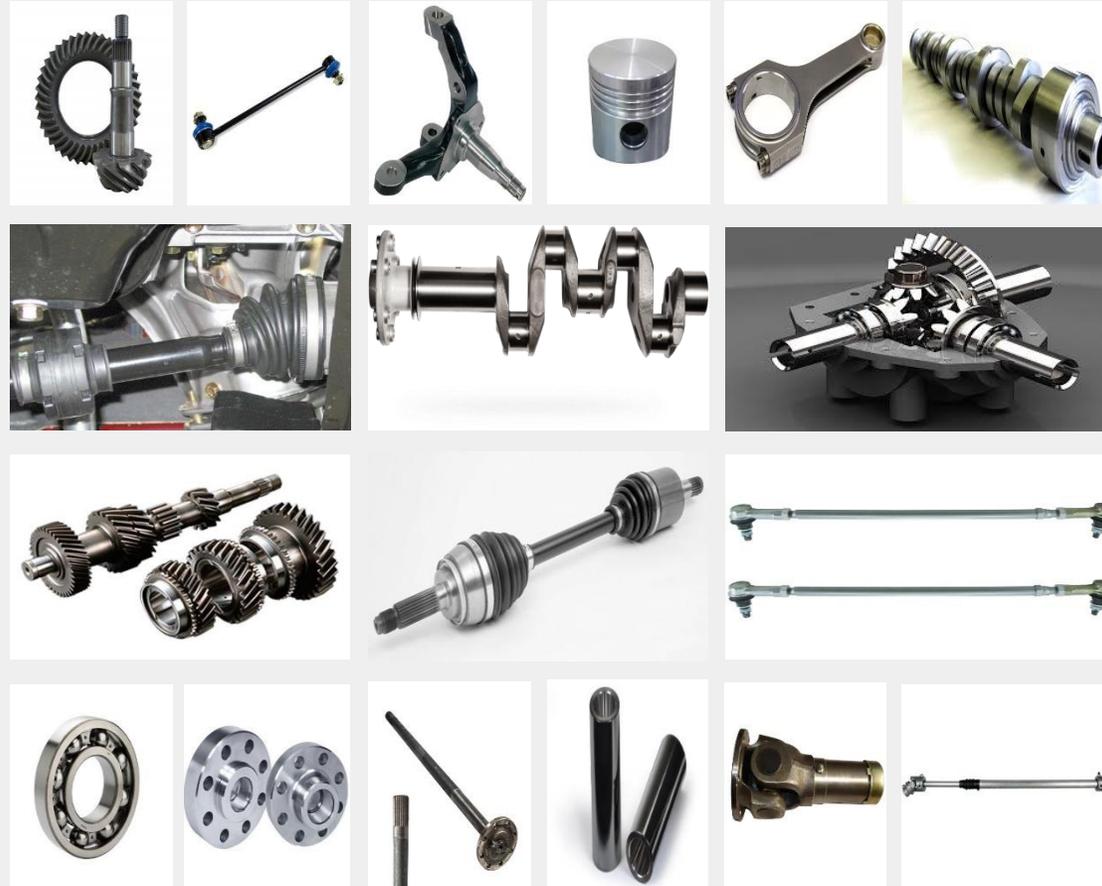
**Connecting Rod**

**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

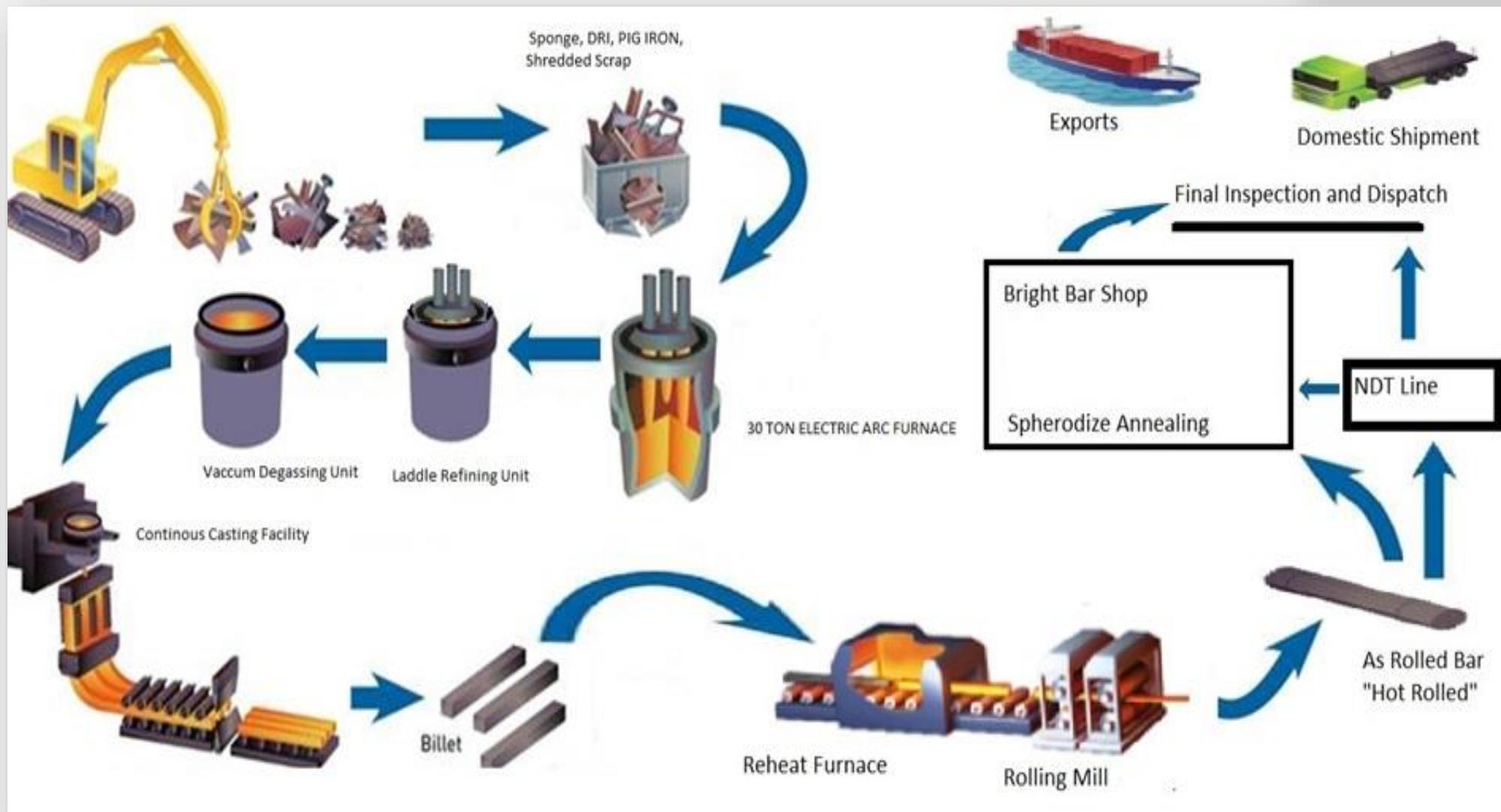
- **Annual Capacity : 2,00,000 TPA**
- Rolling Mill installed in 2013-14
- Mill with complete automation
- 33 TPH "Walking" Hearth Type Reheating Furnace
- Reversible 2 high shift able stand with Bar Manipulator
- 10 Continuous Stands in Horizontal & Vertical configuration
- Online Dimensional Measurements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



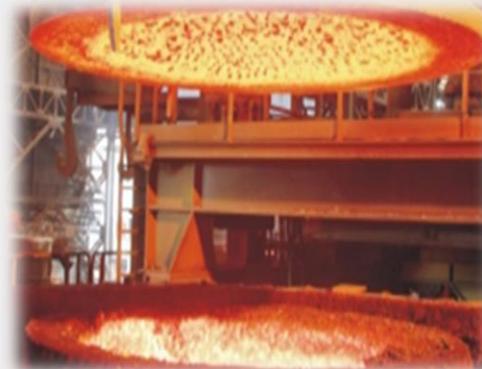
**Two Ladle Refining Furnace**



**Continuous Casting Machine**



**Vacuum Degassing**



# Rolling Mill & Bright Bars

## Rolling Mill



Reheating Furnace

Rolling Mill



## Bright Bar Shop



Spherodizing & Annealing  
Machines

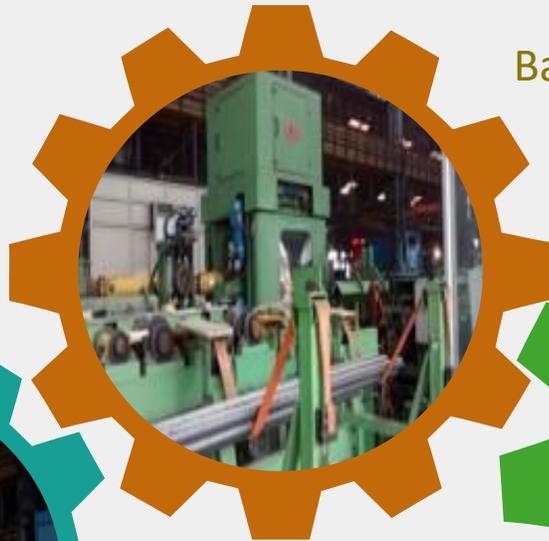
Bright Bar Shop



# 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

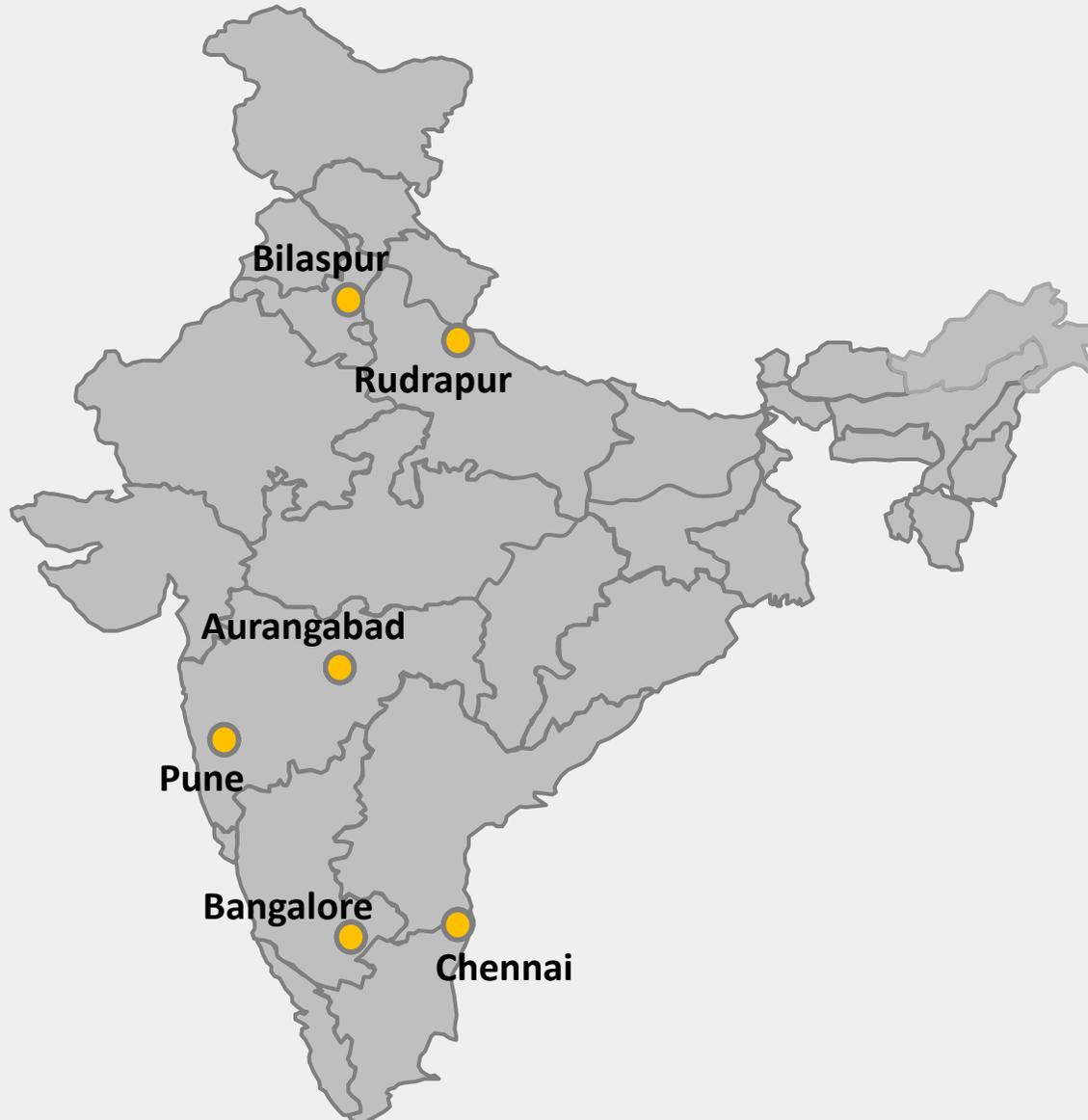
# Best in class R&D Facility



- **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



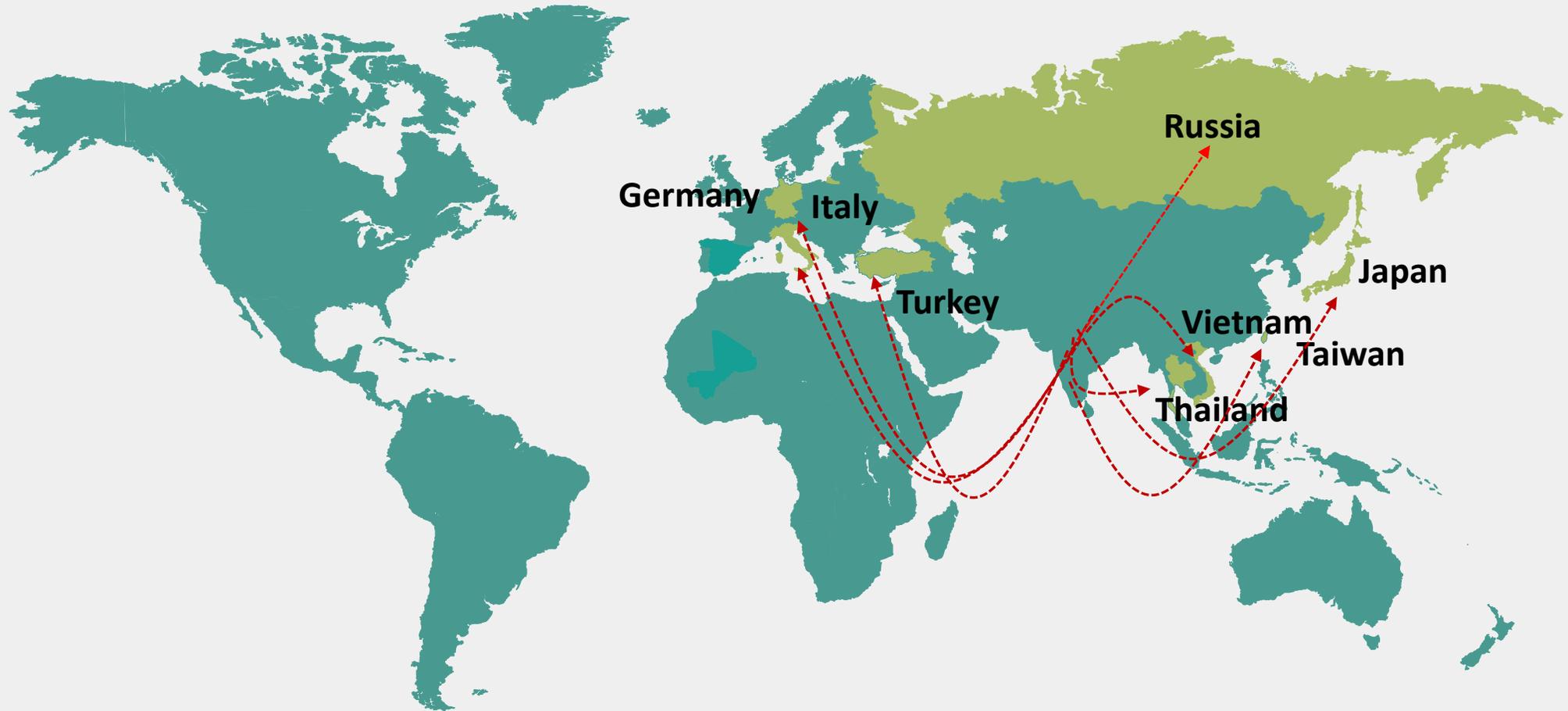
## Tractors



## 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

# VSSL entered a strategic alliance with Aichi Steel Corporation (ASC) Japan. (Main material maker for Toyota)

Gasoline



Hybrid



EV's



**Phase - 1**

- Technology and technical know how shared with VSSL to make steel for Toyota companies and other OEM's
- To raise quality of steel of VSSL to be supplied to future ready cars like Hybrid, Hydrogen fuel and Electric



**Phase - 2**

- Increase VSSL production capacity with aim to achieve high quality combined with minimum cost
- Enable VSSL to build an optimal global production system and customer requirements in India and ASEAN regions

**TARGET - To make Japanese quality steel in India for Indian auto majors and ASEAN region**

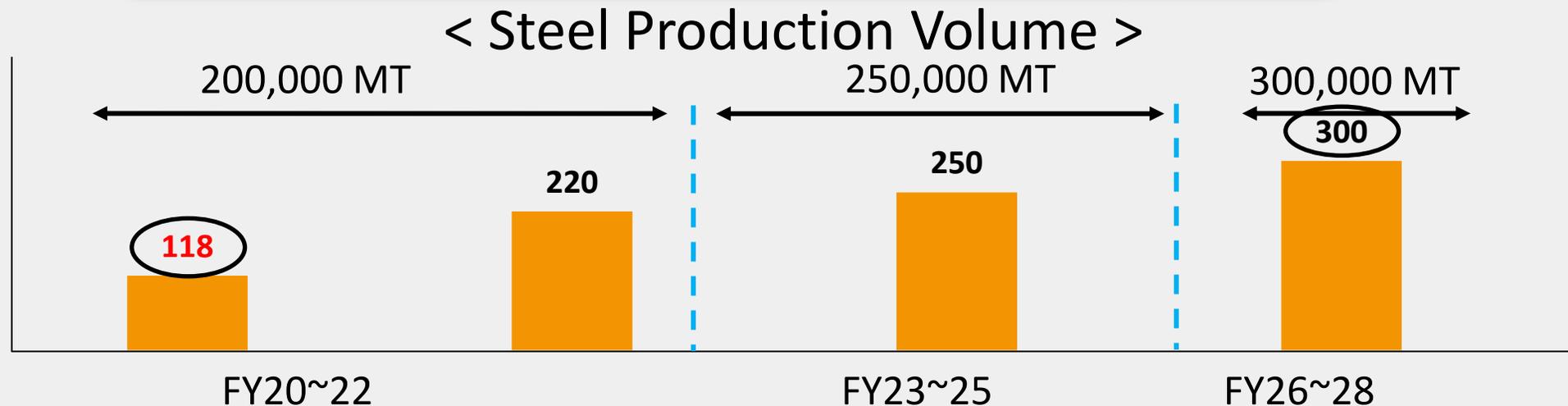
**To reduce manufacturing costs by reducing and the eliminating waste**

# What advantage for VSSL after alliance with Aichi

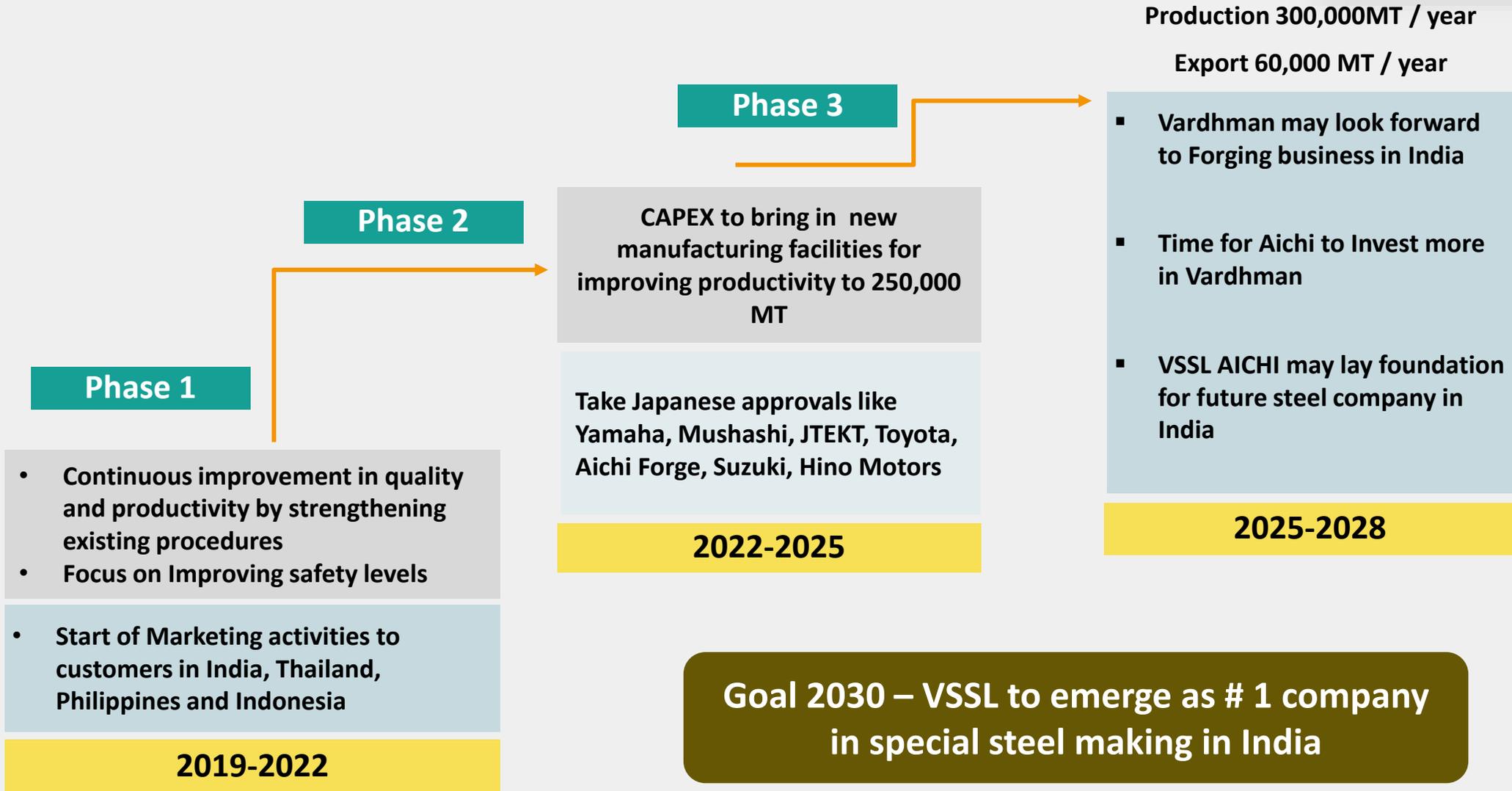
## Possibilities

- Future Ready products - Patent steel grades developed for special application in EV's, hybrid and conventional Cars
- **Own In House R&D** – Toyota Car Company takes input from Aichi on special steel to be developed car parts. It means we can target more approvals for VSSL in Maruti Suzuki and Toyota
- More customers for Vardhman in India and ASEAN region
- Export expected to increase from current 3% in FY 2020 to expected 20% - 25% by FY 25
- **Forward Integration of VSSL into specialised Forging plant in India**

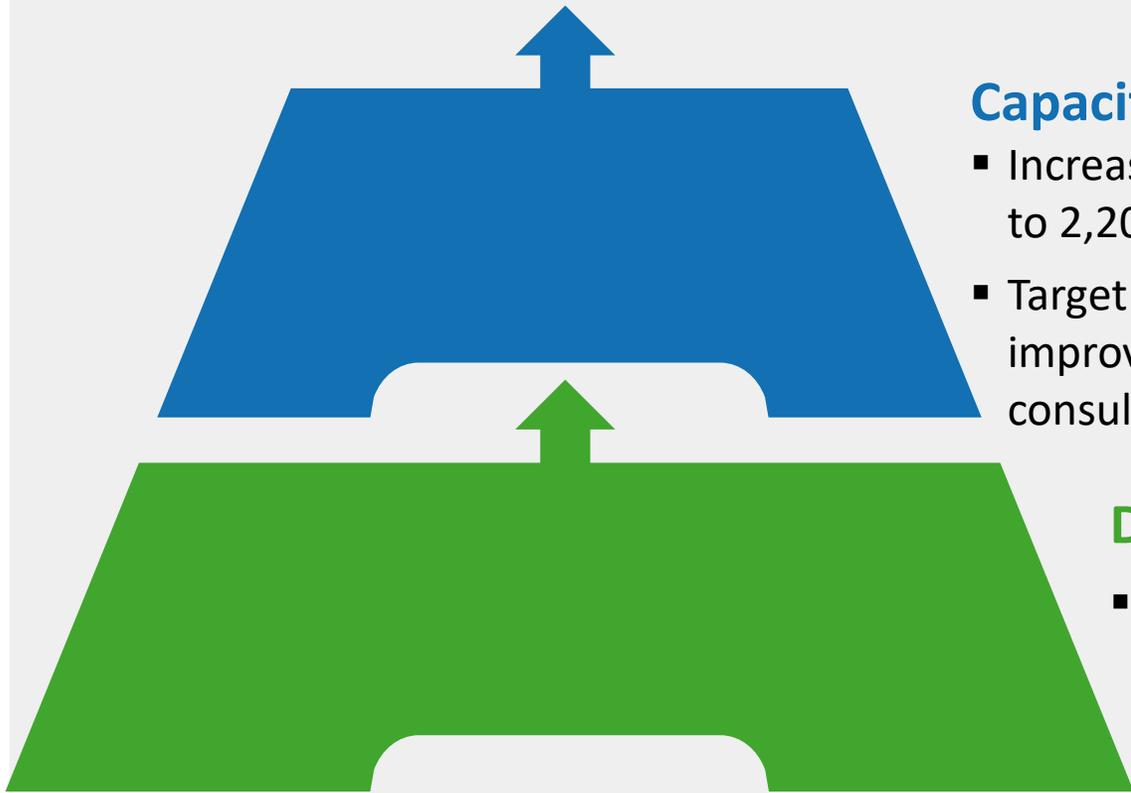
### Road map of production volume (billets)



# Timeline for activities



# Way Ahead



## Capacity Expansion & Utilization

- Increase melting capacity to 2,50,000 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

## 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



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