



Vardhman

Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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Ref. VSSL:SCY:FEB:2019-20

DATED: 08-Feb-2020

The Deputy General Manager, Corporate Relationship Deptt, Bombay Stock Exchange Limited, 1 st 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/ nine months ended 31st December, 2019.

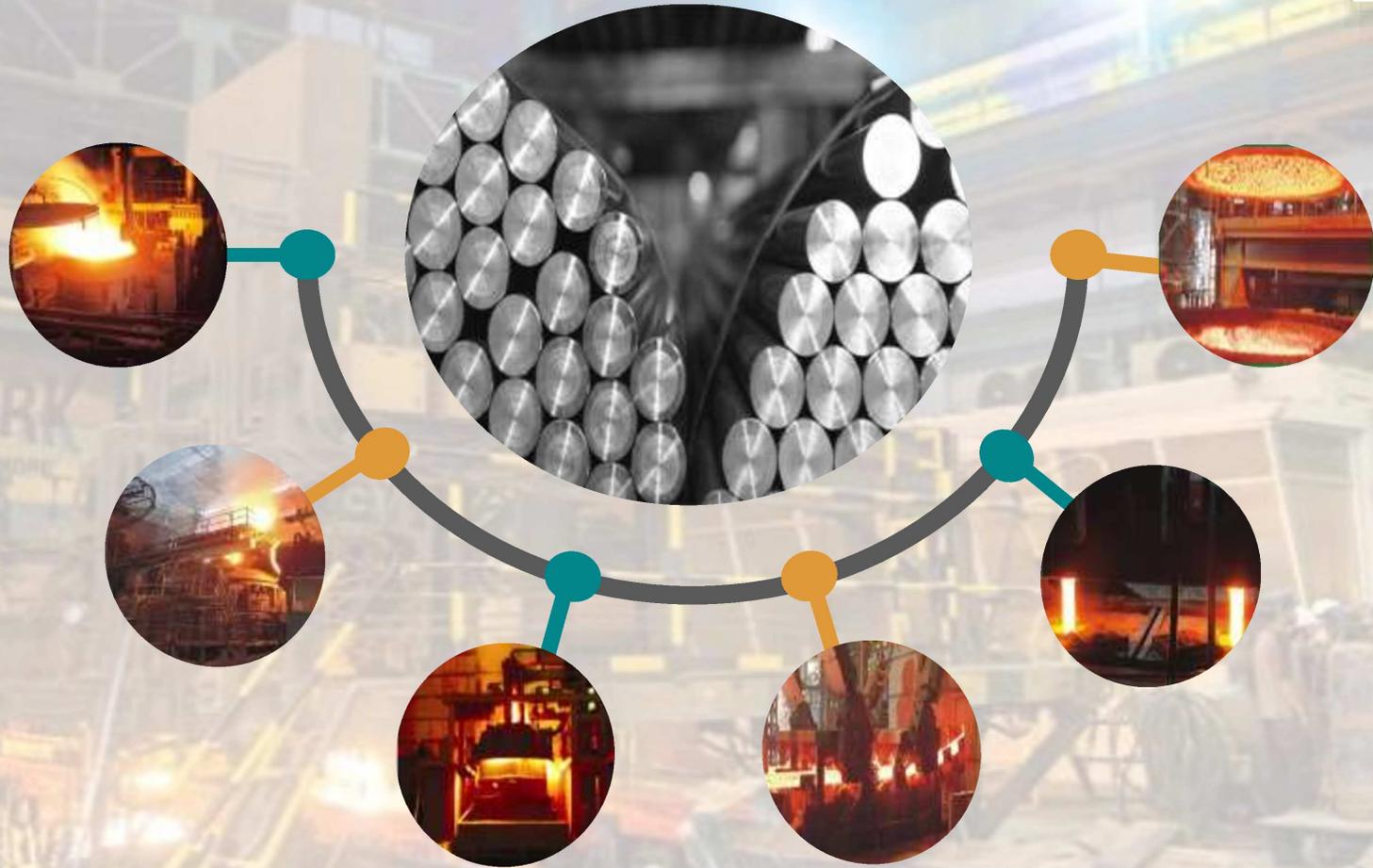
Kindly note and display the notice on your notice board for the information of the members of your exchange and general public.

Thanking you,

Yours faithfully,
For VARDHMAN SPECIAL STEELS LIMITED


(SONAM TANEJA)
Company Secretary

YARNS | FABRICS | THREADS | GARMENTS | FIBRES | STEELS



Vardhman Special Steels Limited

Result Update Presentation
Q3 & 9M FY20

TEAM WORK
SYNERGICAL EFFORT

Disclaimer

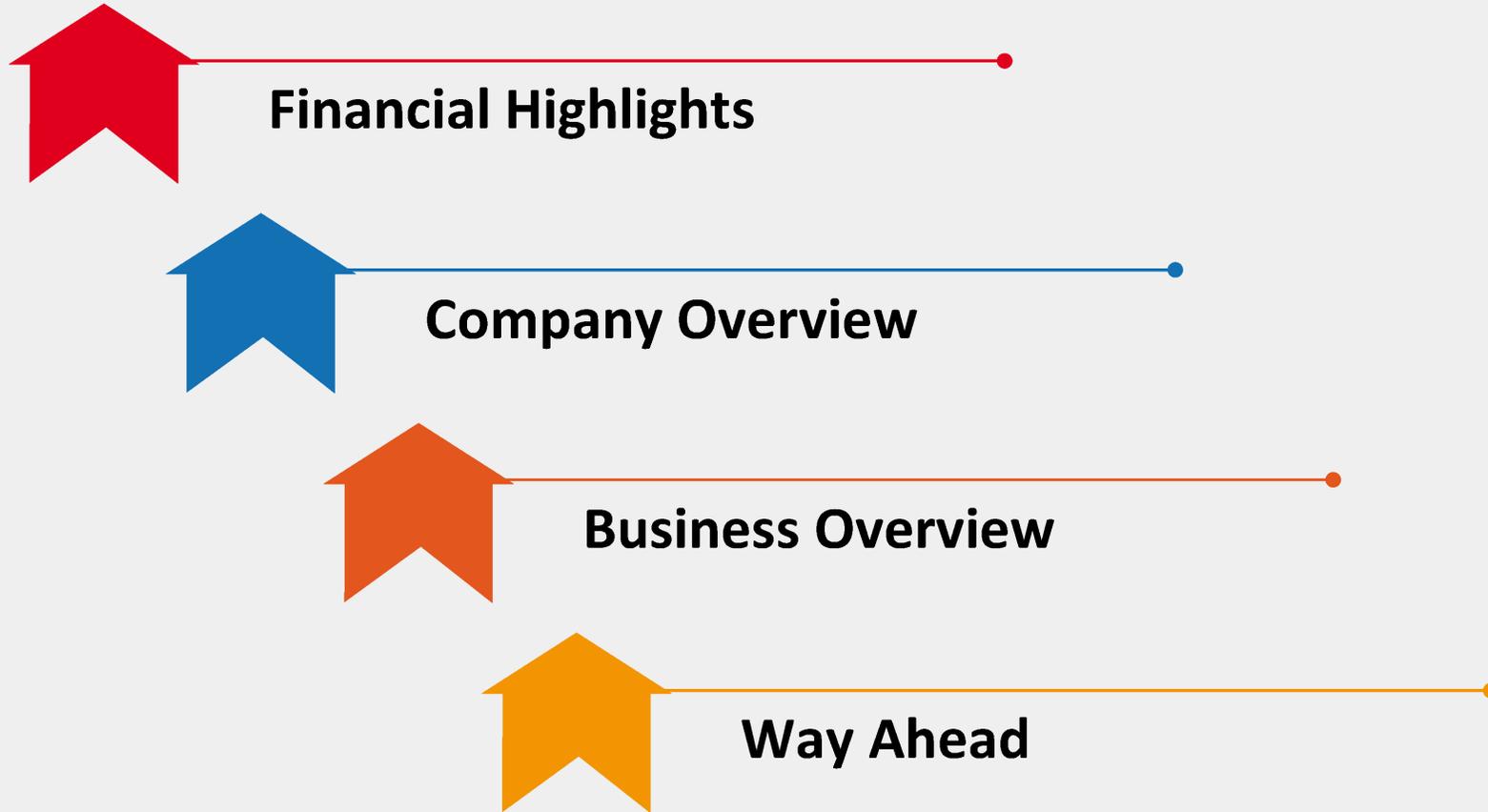


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Table of Contents



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'.

Financial Highlights
Company Overview
Business Overview
Way Ahead



Financial Highlights

Management's Message



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

“In the nine months of the current financial year, we continue to witness slowdown in the auto industry which has impacted our business as well. Our 9M FY20 revenue has declined by 27% year on year basis on account of lower demand and production cuts at various OEM’s. This resulted in lower volumes off take leading to suppressed capacity utilization. Also, Inventory devaluation which was built for the planned shutdown also impacted our performance during the nine months.

The current slowdown in the industry has in a way enabled us to redefine our internal strategy. We started to utilize this period to work on various internal performance. Our focus has been to bring down production costs, improve operational efficiencies, further improve on our quality of our products & service offerings and streamline our overall production activity.

Though the near-term market situation is fluid, we are optimistic on the medium term based on indication from various OEM’s that will be launching newer products under the BS VI norms. With our recent upgradation of steel melting shop, we are ready to grab the opportunities head-on and serve our esteemed clients efficiently. We are happy to share that the alliance with Aichi Steel Corporation is progressing well as we have laid down long term plans and are in process of implementing these plans. We look forward to the synergies from this alliance coming through significantly in the coming quarters.

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 27th August 2019, Company executed following –*
 - *Share subscription and investment agreement with Aichi Steel Corporation (ASC), Japan in relation to investment in Company by ASC*
 - *Technical assistance agreement with ASC in relation to technology and know-how to be provided by ASC to VSSL*
- *On 4th November 2019, Company made allotment of 4,629,629 equity shares on preferential basis of Rs.10/- each at Rs. 108 per share (including security premium of Rs. 98 each) aggregating to Rs. 499,999,932 to ASC*
- *In compliance to these agreements, appointed Additional Director - Mr. Takashi Ishigami - representative of ASC*
- *Company has recorded Rs. 4.41 crores under head "Other Income" towards its incentive of electricity duty exemption for period 08th January 2016 to 30th September 2019*
- *During first half, Company had undertaken shutdown of approximately 78 days of steel melting shop (SMS) in order to upgrade and modernize SMS facilities as per planned strategy and to meet future goals*
- *Section 115 BAA of Income Tax Act 1961, introduced by Taxation Laws (Amendment) Ordinance, 2019 gives one-time irreversible option to Domestic Companies for payment of corporate tax at reduced rates. In view of the unabsorbed depreciation and MAT Credits, Company has determined that it will continue to recognize tax expense at existing income tax rate as applicable to Company. However, Company has remeasured deferred tax assets/liabilities likely to be reversed at the time Company would opt for new tax regime which has resulted in write back of deferred tax liability amounting to Rs. 4.95 crores in quarter and nine months period ended 31st December 2019 using revised annual effective income tax rate*

Financial Highlights - Quarterly

Sales Volumes (tonnes)



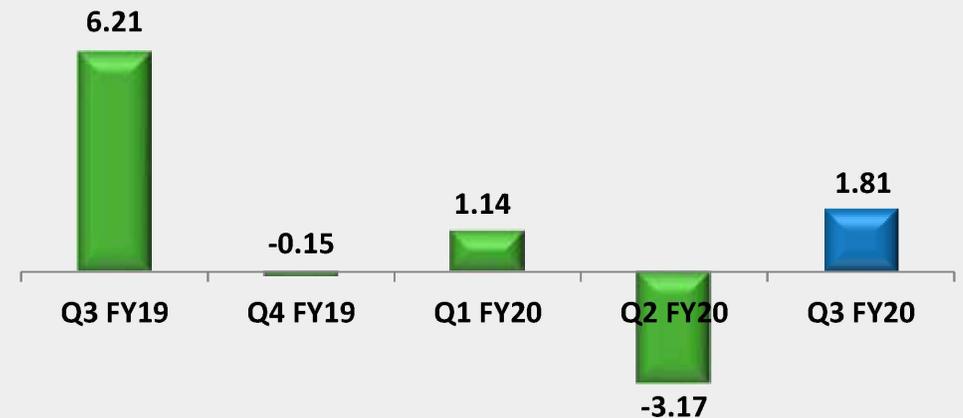
Revenue from Operations* (Rs. Crore)



EBITDA (Rs. Crore)#



PAT (Rs. Crore)



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

Financial Highlights – Q3 FY20



INR Crore	Q3 FY20	Q3 FY19	Y-o-Y %	Q2 FY20
Revenue From Operations*	187.94	312.52	(39.86%)	211.82
Other Income	1.91	0.40		5.37
Total Income	189.85	312.92	(39.33%)	217.19
Cost of Materials Consumed	101.94	235.67		56.70
Purchases of Stocks	0.00	17.11		0.19
Changes In Inventory	8.02	(60.01)		99.77
Raw Material Expenses	109.96	192.77		156.67
Employee Expenses	12.50	12.64		11.08
Power & Fuel	26.14	32.19		14.46
Other Expenses	33.40	52.94		27.02
Total Expenditure	182.00	290.54		209.22
EBITDA	7.85	22.38	(64.91%)	7.97
Depreciation	6.72	6.20		6.34
Interest / Finance Cost	5.98	6.54		6.54
PBT	(4.85)	9.64		(4.90)
Tax	(6.66)	3.43		(1.73)
PAT	1.81	6.21	(70.79%)	(3.17)
Basic EPS in Rs.	0.47	1.74	(72.99%)	(0.88)

- Q3 FY20 volumes stood at 31,616 tons YoY decline of 27% mainly on account of continued and ongoing slowdown in automotive industry which led to lower demand for rolled products
- Decline in revenue mainly on account of decline in sales volume by around 27% and decline in sale prices
- Decline in EBITDA, on account of predominantly inventory loss due to decline in raw material and electrode prices, decrease in sales volumes and higher fixed cost per unit of steel due to low production levels

* Includes sale of raw material, billets and traded goods

Financial Highlights – 9M FY20



INR Crore	9M FY20	9M FY19	Y-o-Y %
Revenue From Operations	640.54	877.51	(27.00%)
Other Income	7.94	1.33	
Total Income	648.48	878.84	(26.21%)
Cost of Materials Consumed	279.96	588.65	
Purchases of Stocks	4.30	31.76	
Changes In Inventory	130.01	(89.33)	
Raw Material Expenses	414.27	531.08	
Employee Expenses	35.64	38.81	
Power & Fuel	68.86	100.51	
Other Expenses	97.85	149.90	
Total Expenditure	616.62	820.30	
EBITDA	31.86	58.54	(45.57%)
Depreciation	19.17	17.84	
Interest / Finance Cost	20.63	17.05	
PBT	(7.94)	23.65	
Tax	(7.72)	1.29	
PAT	(0.22)	22.36	(100.97%)
Basic EPS in Rs.	(0.06)	6.26	(100.96%)

* 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)



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.

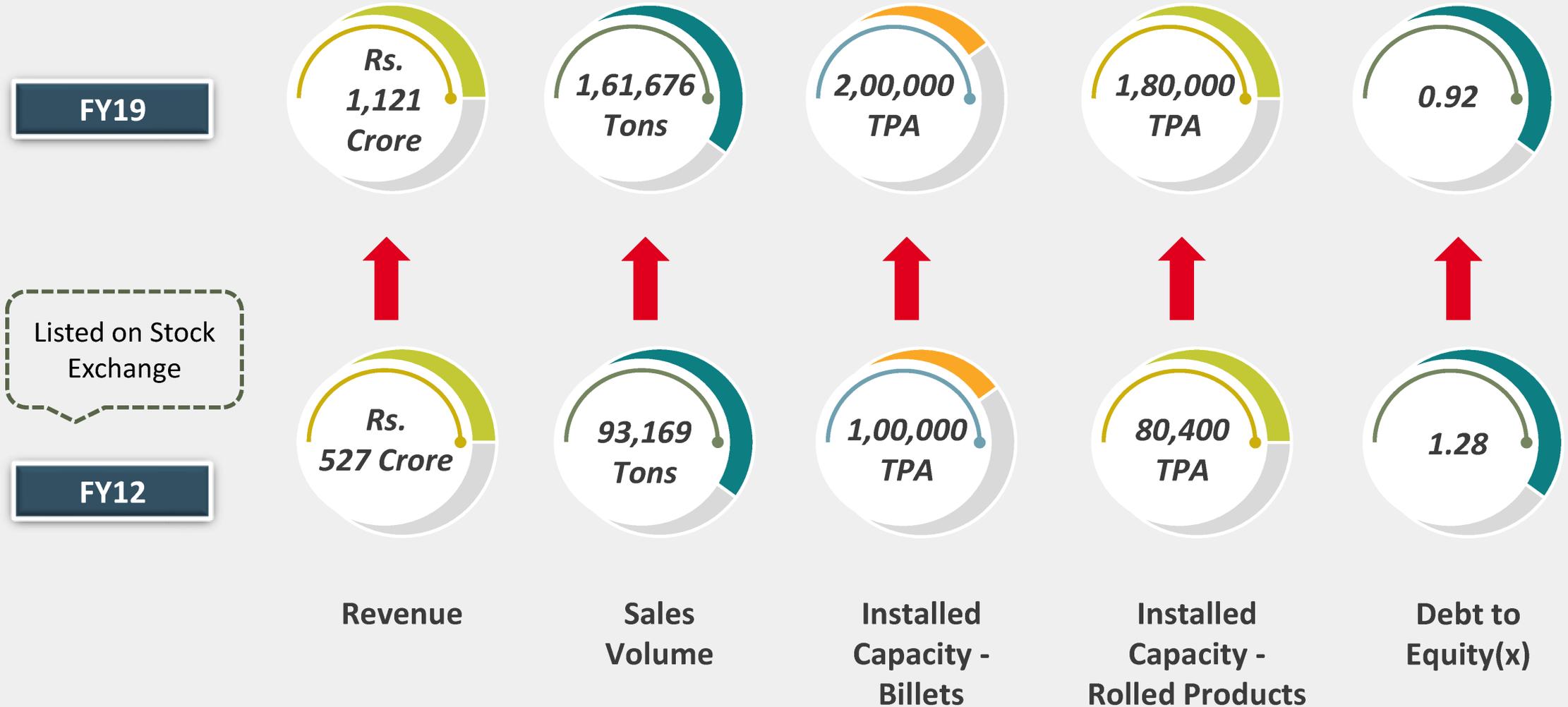
2016 - 2017

- **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

Clear focus on long term Value Creation

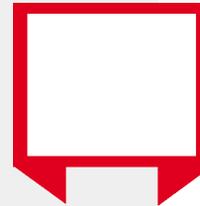


Strong Experienced Board of Directors contd...



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



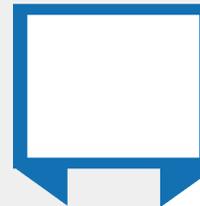
Mr. Sachit Jain Vice Chairman & MD

- 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

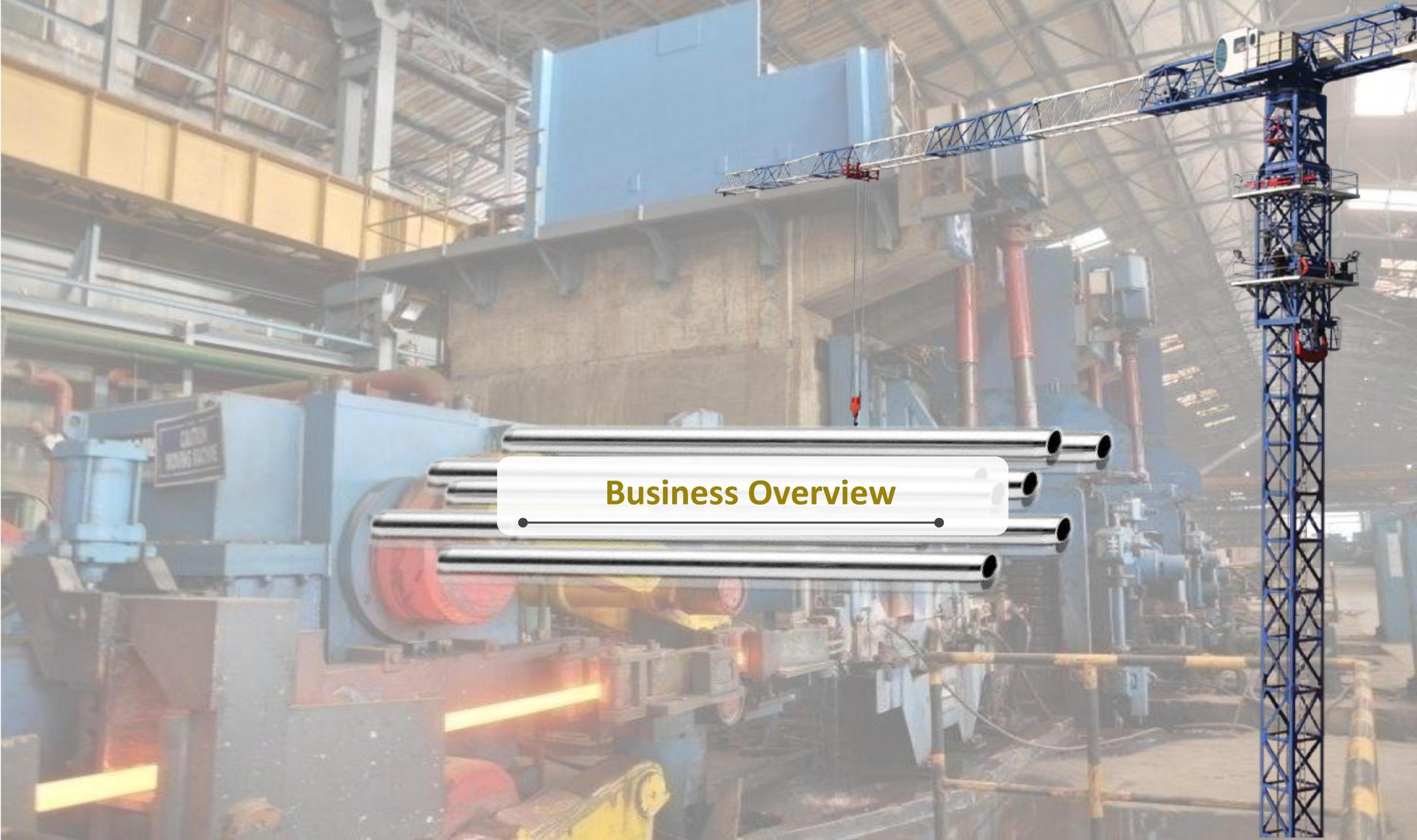
- Bachelor's degree in Mathematics and MBA from Xavier's Labor Relations Institute
- More than 25 years of experience in Human Resource Management



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





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

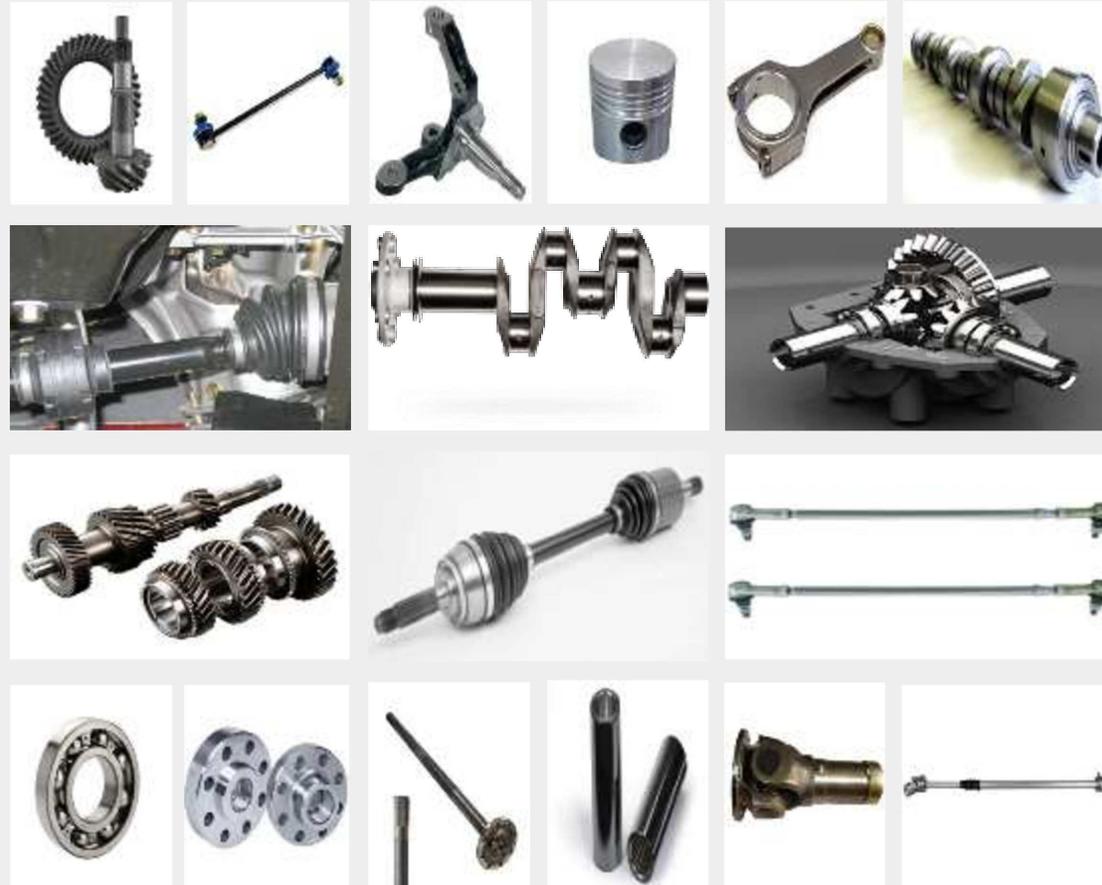
Connecting Rod

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

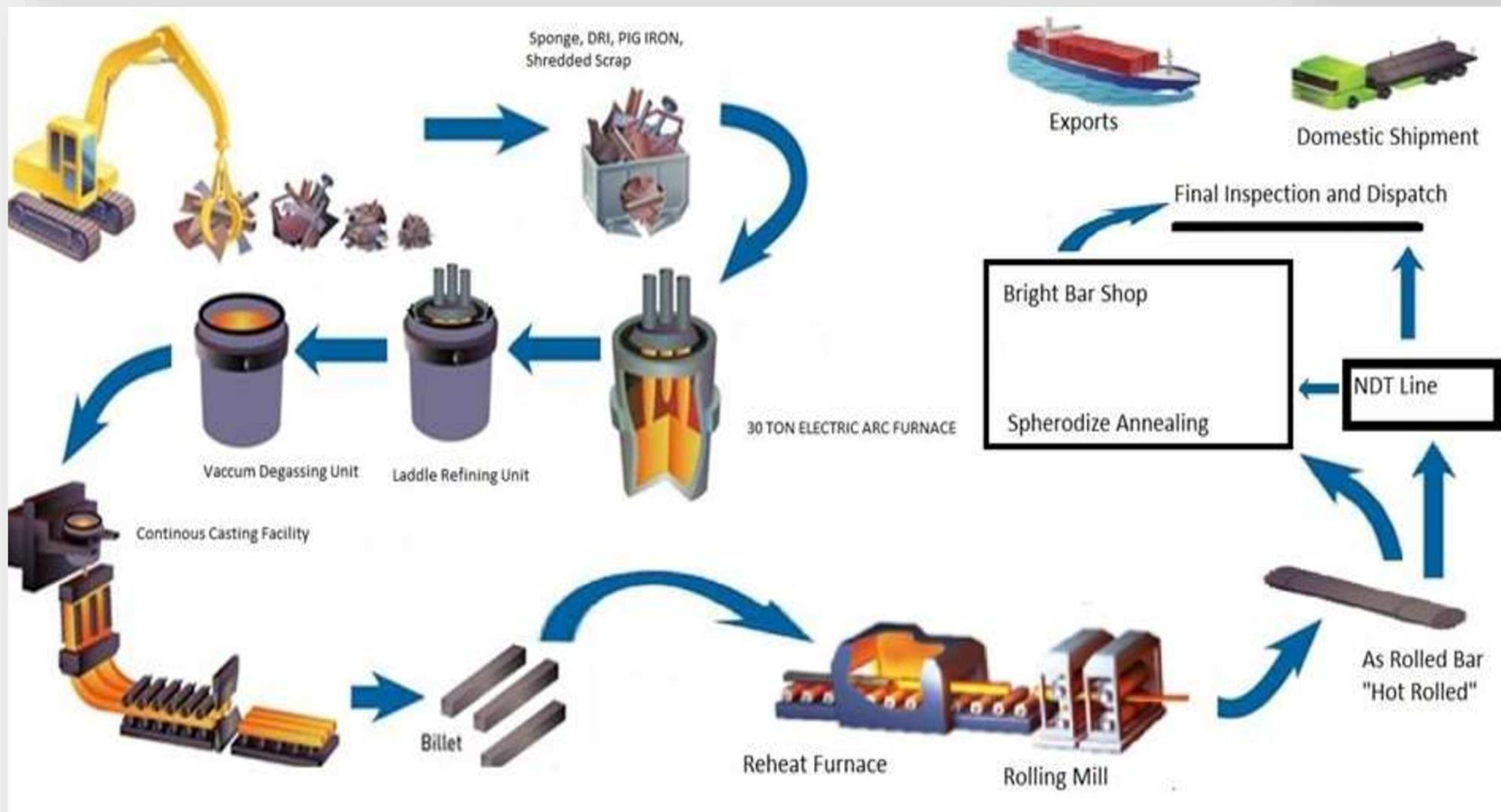
- **Annual Capacity : 2,00,000 TPA**
- Rolling Mill installed in 2013-14
- Mill with complete automation
- 33 TPH "Walking" Hearth Type Reheating Furnace
- Reversible 2 high shift able stand with Bar Manipulator
- 10 Continuous Stands in Horizontal & Vertical configuration
- Online Dimensional Measurements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

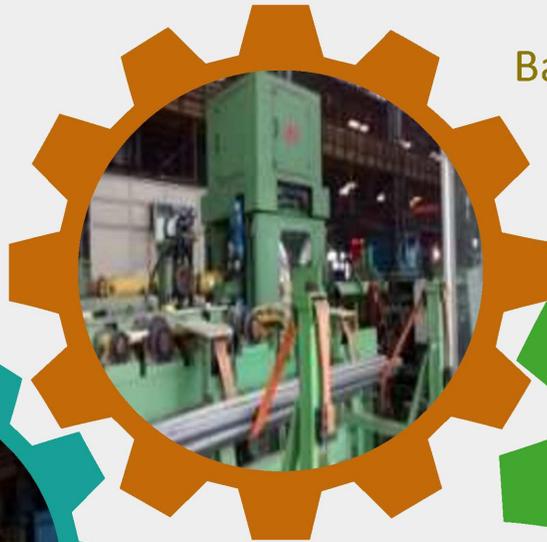
Bright Bar Shop



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

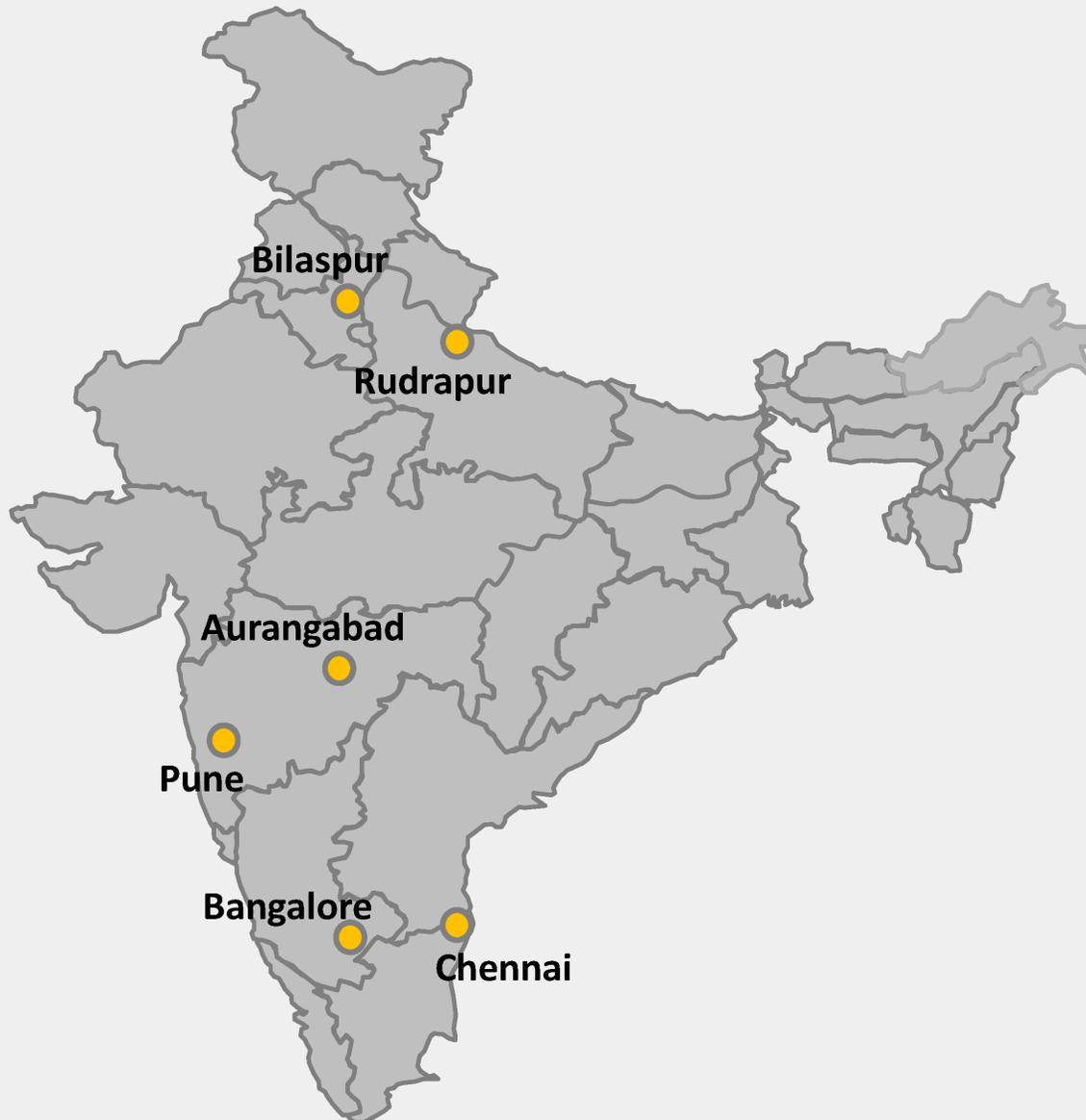
Best in class R&D Facility



- **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 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



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



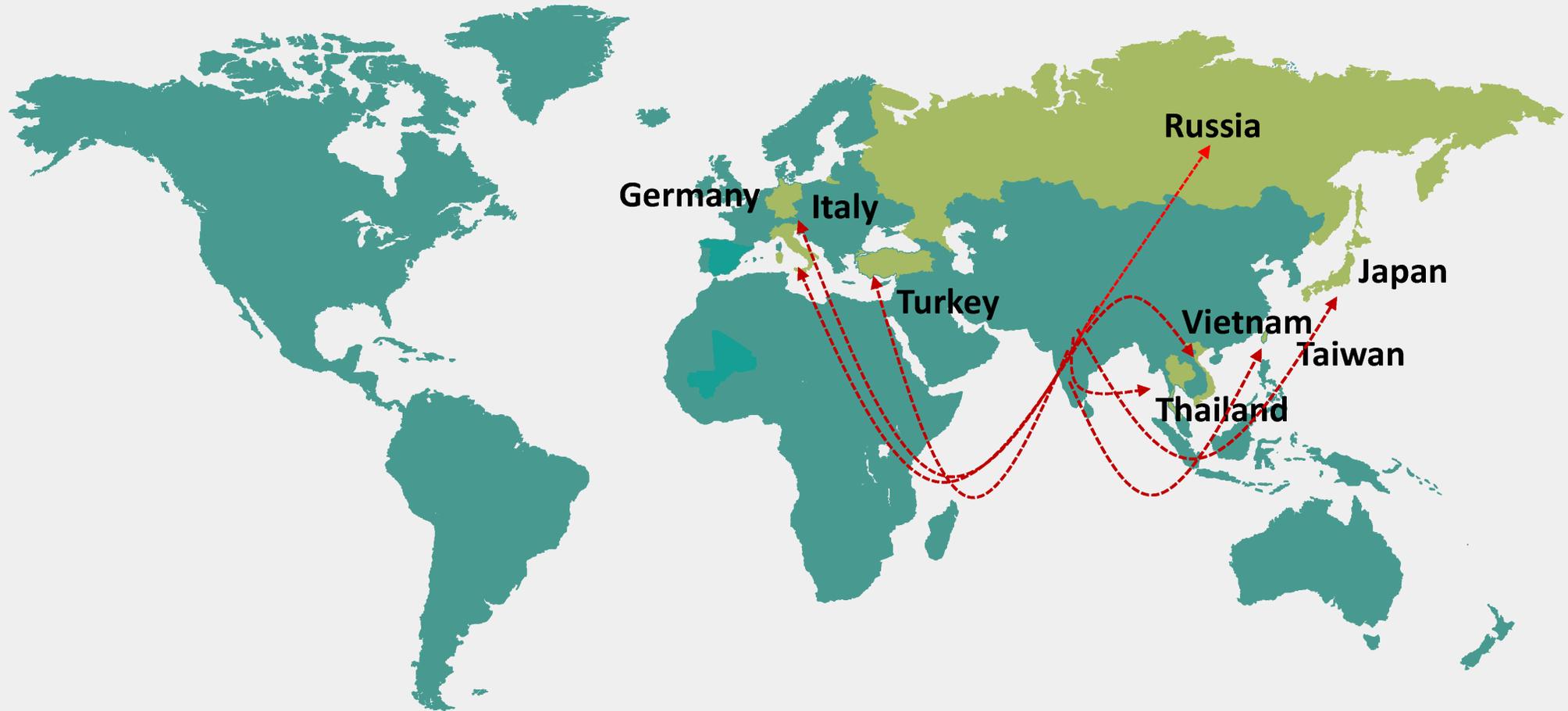
Tractors



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:

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