

Vardhaman Special Steels Limited  
Annual Report 2017-18



Vardhaman

**Vardhmān**

Delivering Excellence. Since 1965.

**purpose.  
passion.  
performance.**

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### Forward-looking statement

This document contains statements about expected future events and financial and operating results of Vardhman Special Steels Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.


Purpose  
+ Passion  
= Performance

At Vardhman, we believed in and practiced this simple formula day in and day out, over a decade.

For our purpose directed our passion. And our passion re-ignited our purpose.

And the impact of this powerful combination reflected in our performance.





**A powerful  
purpose is a  
force unbeatable  
by anything else  
in this world.**

AT VARDHMAN, IN ALL THESE YEARS, WE NURTURED ONLY ONE DREAM - OF BEING A GLOBALLY RESPECTED ALLOY STEEL MANUFACTURER. AN ENTERPRISE THAT COMMANDS RESPECT IN INDIA AND ACROSS THE GLOBE. FROM CUSTOMERS AS WELL AS INDUSTRY VETERANS. FOR ITS QUALITY COMMITMENT AND ITS INTELLECTUAL CAPITAL.



Today, we are convinced that the secret of our success has been the constancy of purpose. Because our purpose drew us to work. It compelled us to create, discover and deliver.

And, we are most certain that our purpose will be the guiding star as we endeavour to establish our mark in the global village. Because, purpose stimulates you to lose sight of the shore to explore new worlds beyond the horizon.

While the goal appears daunting and the journey, challenging, we know that one who has a 'why' to live for, can bear almost any 'how'!

## Baby steps that reinforce our confidence!

### Building our intellectual capital

- Our technical team presented a paper at an international technical conference in Italy – a first for Vardhman.
- We hosted our own technical conference for our customers in Thailand, a first of its kind event hosted by any steel company in Thailand.

### Gaining valuable customer endorsement

- Our steel received the stamp of approval from leading global brands namely Mercedes, Jaguar, Porsche, Volvo, Audi, BMW and Harley Davidson.
- Our steel entered the factory of a Thailand customer who hitherto relied only on steel sourced from Japanese steel manufacturers.





People with  
great passion  
can make the  
impossible  
happen.

AT VARDHMAN, OUR PEOPLE  
HAVE CHANGED OUR FORTUNES.  
THEY HAVE SPEARHEADED OUR  
TRANSITION FROM BEING A  
TRAILER LANGUISHING AT THE  
BOTTOM OF SECTORAL PECKING  
ORDER A DECADE AGO TO A  
BRAND THAT ENJOYS RESPECT IN  
OUR BUSINESS SPACE.



Because we have people with great passion - far greater than their fears and excuses. They always found a way through every challenge.

As a result, they always did more than they had to. Gave up the good for the great. Delivered better than what was expected of them. And went beyond the set goals, year after year.

They upped production more through intelligent innovation rather than financial investment. They increased productivity even as they improved quality.

- Average heats per day increased as batch cycle time declined
- Our heat sequencing percentage which stood at 37% in 2013-14 scaled to 80% in 2017-18

- Productivity improved by 4.34 MT/hour between 2013-14 and 2017-18

And, increased sales by spreading wide even as they delved deep.

- Our business relations with OEM's in India deepened even as we widened our footprint across the globe
- For 35+ customers, business relations strengthened from one product to 4-5 products over the last five years

But, even as production (in our steel making and rolling mills) surpassed the label capacity, we continued to be in short of capacity.

#### **In 2017-18, our team has pushed the envelope a little further**

- Even when the billet making capacity was 160,000 TPA, our team successfully tested 200,000 tons annual capacity.
- Our team has successfully established the rolling capacity at its rated capacity of 180,000 tons annually.

#### **Interestingly, our team is focused on upping the stakes a little further**

- We are taking our steel making capacity to 240,000 TPA.
- We are increasing our rolling capacity to 210,000 TPA.

# There is no one giant step that does it. It's a lot of little steps.

AT VARDHMAN, WE ALLOWED THE PASSION OF OUR ENERGETIC TEAM TO BECOME OUR PURPOSE AND IT REFLECTED IN OUR PERFORMANCE, HERE IS THE PROOF!

954 Team as on March 31, 2018

## SHOPFLOOR IMPROVEMENT

### a) Steel melting shop

17

Heats per day in 2017-18 from 11 heats per day in 2013-14

13

Reduction (in minutes) in tap-to-tap time between 2013-14 and 2017-18

### b) Rolling mill

0.17%

Miss roll operations in 2017-18 against 0.75% in 2013-14

29

Reduction (in hours) in operational delay between 2013-14 and 2017-18

## BUILDING RELATIONS

### Customer addition

10+

OEMs (operating in India) added between 2013-14 and 2017-18

10

Global customers serviced as on March 31, 2018

## PRODUCTION INCREASED

### a) Billets

167,425

Tons in 2017-18 against 101,499 tons in 2013-14

### b) Rolled products

149,957

Tons in 2017-18 against 65,150 tons in 2013-14

## SALES INCREASED

### Rolled Bars

152,162

Tons in 2017-18 against 90,406 tons in 2013-14



### REVENUE GREW

858.96

in 2017-18 against 563.96 in 2013-14 (₹ crore)

#### CAGR (%)

11.09

growth between 2013-14 and 2017-18

### REVENUE FROM 4-WHEELER SEGMENT

292.05

Revenue in 2017-18 against 62.04 in 2013-14 (₹ crore)

#### CAGR (%)

47.30

Revenue growth between 2013-14 and 2017-18

#### Proportion in revenue mix (%)

34

Contribution in 2017-18 against 11 in 2013-14

### REVENUE FROM 2-WHEELER SEGMENT

274.87

Revenue in 2017-18 against 135.35 in 2013-14 (₹ crore)

#### CAGR (%)

19.39

Revenue growth between 2013-14 and 2017-18

#### Proportion in revenue mix (%)

32

Contribution in 2017-18 against 24 in 2013-14

### STRONG RETURNS

12.17%

ROCE in 2017-18 against 0.99% in 2013-14

### EBIDTA GREW

68.04

in 2017-18 against 4.43 in 2013-14 (₹ crore)

#### CAGR (%)

97.97

growth between 2013-14 and 2017-18

## Vardhman Special Steels Limited

Vardhman is one of India's leading producers of special steel servicing the steel requirements of niche, high-growth sectors namely Engineering, Automotive, Tractor, Bearing and Allied Industries. The Company also exports forging grade steel to international destinations namely Thailand, Taiwan, Turkey, Russia and Spain.

Vardhman's product basket comprises billets, steel bars & rods and bright bars of various categories of special and alloy steels and serves the exacting needs of globally renowned corporations such as Toyota, Hero Moto Corp, Caterpillar, Hino Motors, Maruti, Bajaj and Hyundai, among others.

Vardhman enjoys access to warehouses across India which facilitates just-in-time delivery to its customers.