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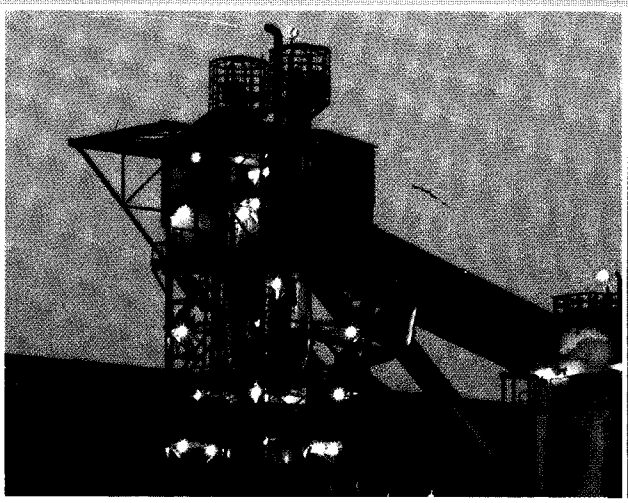

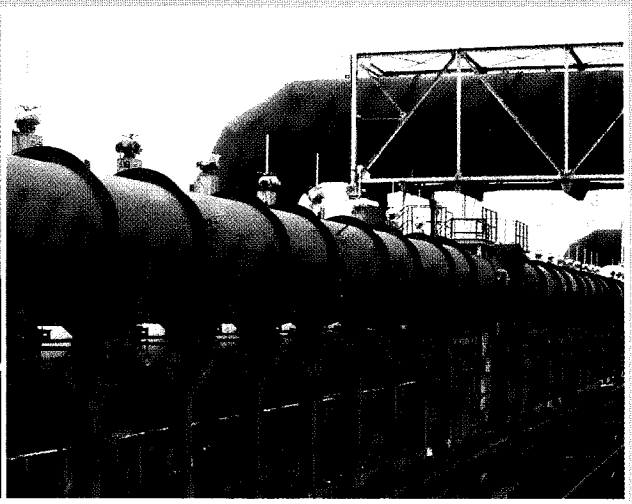

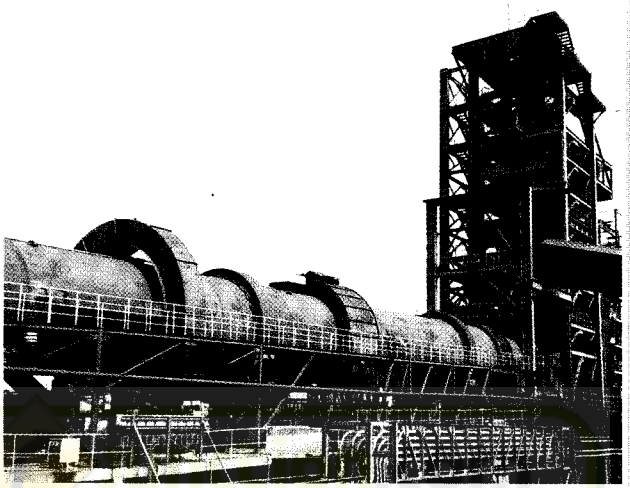

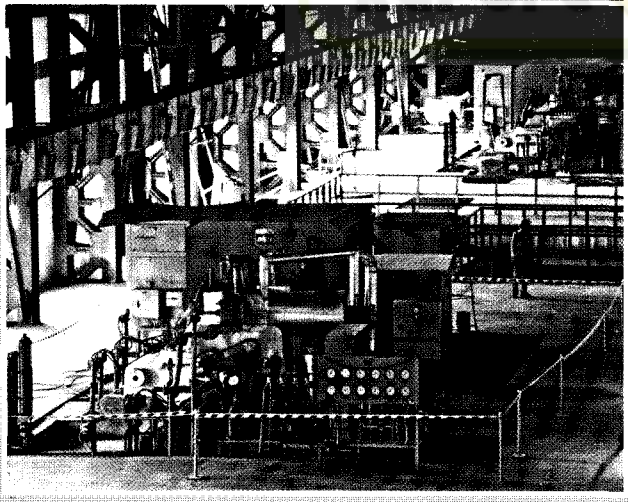

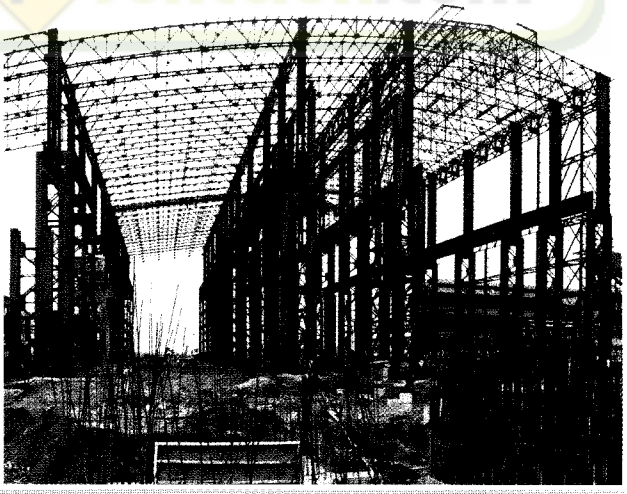

VISA STEEL

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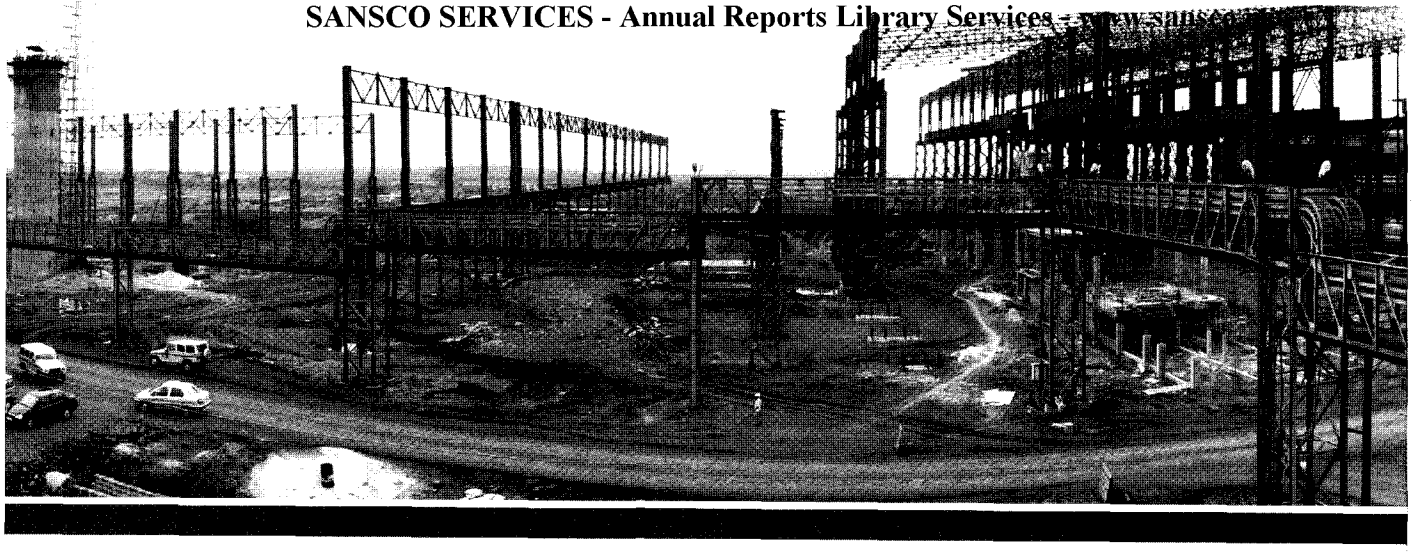

FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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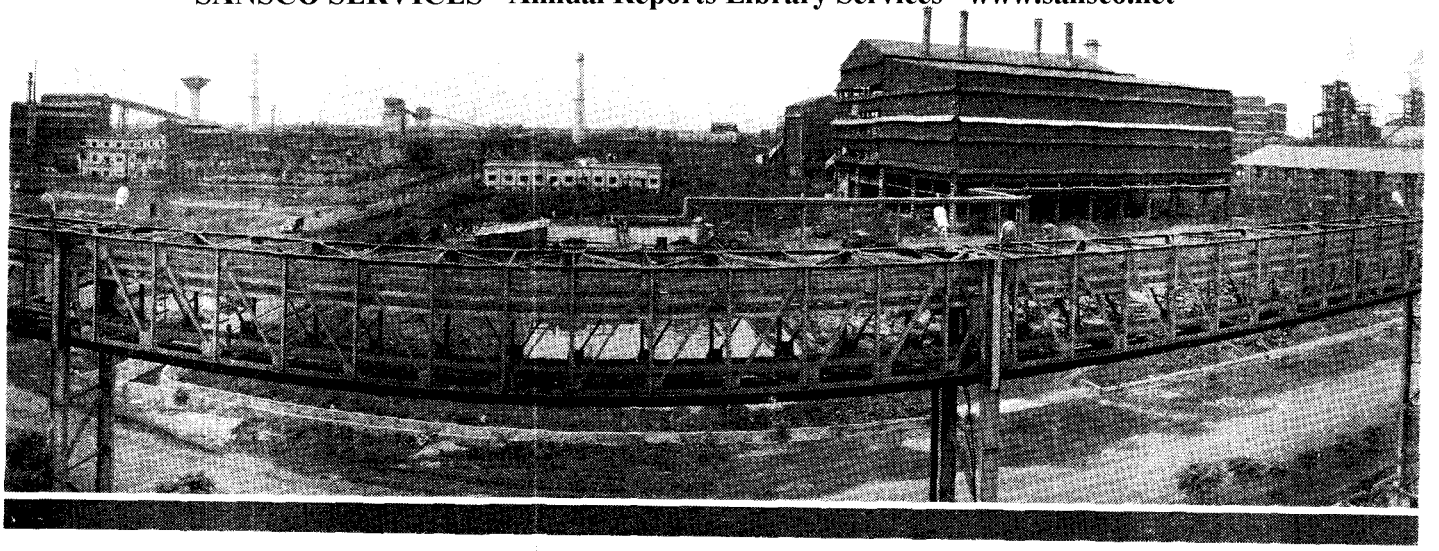

When the going gets tough...

2008-09 was the story of two divergent halves.

The first half was one of extreme positivity and what appeared to be an irreversible growth process.

The second half was one that made the first seem like a distant memory. A global financial crisis, strong economic headwinds and a psychological sobriety across the world not seen in recent times.

Industries and businesses faced an existential challenge. In some cases the impact was severe enough to shake the very foundations of some of the most respected edifices of global entrepreneurship. The going, was indeed, tough.

Survival and success in such an environment requires commitment, resilience and an unstinting focus on one's vision. Meeting normal business challenges is not enough. Companies have to come up with innovative strategies and a contrarian approach to be able to tide over the times.

The tough, like VISA Steel, get going...

In 2008-09, VISA Steel too, was confronted by these adversities. On the one hand, the sharply fluctuating dollar was affecting raw material prices and on the other, the sudden drop in prices of iron and steel products in the second half of the year left a significant inventory burden of expensive coking coal and iron ore in the books.

Undaunted, VISA Steel responded with a maturity that is befitting a company driven by the conviction in its vision and the robustness in its strategy. Indeed, 2008-09 was one where VISA Steel demonstrated its strength through a robust manufacturing performance – the turnover this year represents a threefold growth in revenue from manufactured products – an indicator of the fructification of strategies followed.

In the next few pages, we explain some of the actions that provide a testimony to our resilient organisation, even in the face of universal adversity.

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Capacity and Capability

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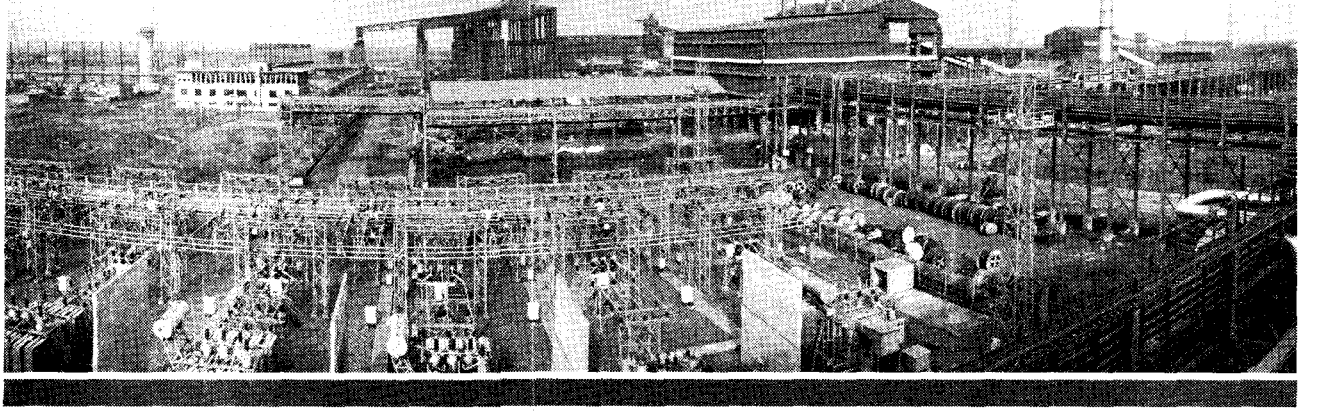


To outperform parity, VISA Steel chose to continue on the path of capacity expansion in a year when the industry faced its severest liquidity crunch.

In these tough times, VISA Steel remained consistent in its long-term strategic plans and continued to make progress in the capacity expansion area.

VISA Steel focused first on extracting maximum leverage out of its existing capacities, a fact demonstrated by the impressive rise in manufacturing revenues from Rs. 357.04 Crore in 2007-08 to Rs. 1005.09 Crore in 2008-09, representing a threefold growth and contributing to a robust support to the topline.

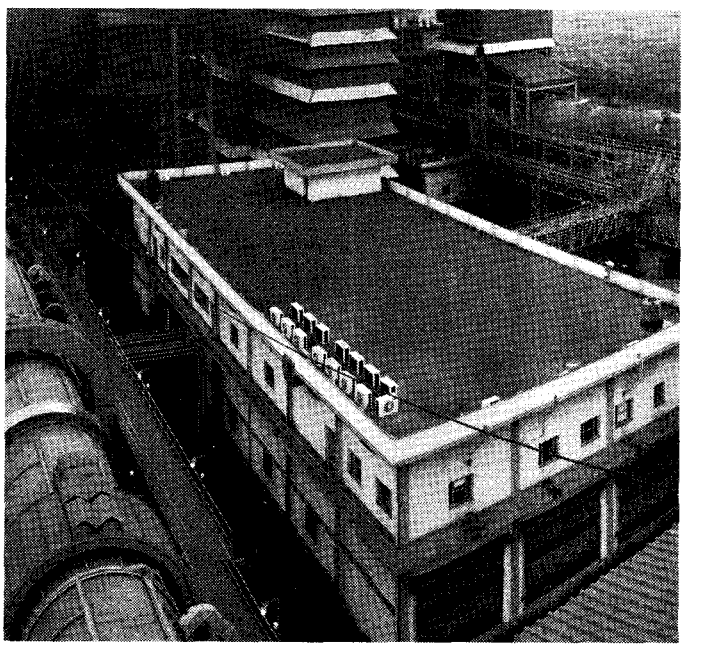
Unrelenting in its commitment, VISA Steel also commissioned the DRI plant at its Kalinganagar facility. This proved to be a turning point in our history as it made us the ONLY Indian company to produce and sell Pig Iron, Coke, Ferro Chrome and Sponge Iron. This diversity in the product range is a natural hedge against the vagaries of the market, enabling VISA Steel to emerge as a creator of consistent value.

Moreover, the 0.5 million TPA Steel Melt Shop and the Rolling Mill Project both are in advanced stages of construction. Once that is achieved, the manufacturing prowess and product portfolio at VISA will be further bolstered. Going forward, the steel making capacity shall be raised to 1 million TPA within the existing infrastructure.

Thus, capacity, and the capability to continuously augment it, has been the cornerstones of VISA Steel's commitment to its stakeholders.

When the going gets tough, most organisations will choose only to sweat existing capacities rather than invest in new ones.

Not at VISA Steel, which recorded a three-fold growth in manufacturing revenues through continuing capacity expansions. Despite such difficult conditions...



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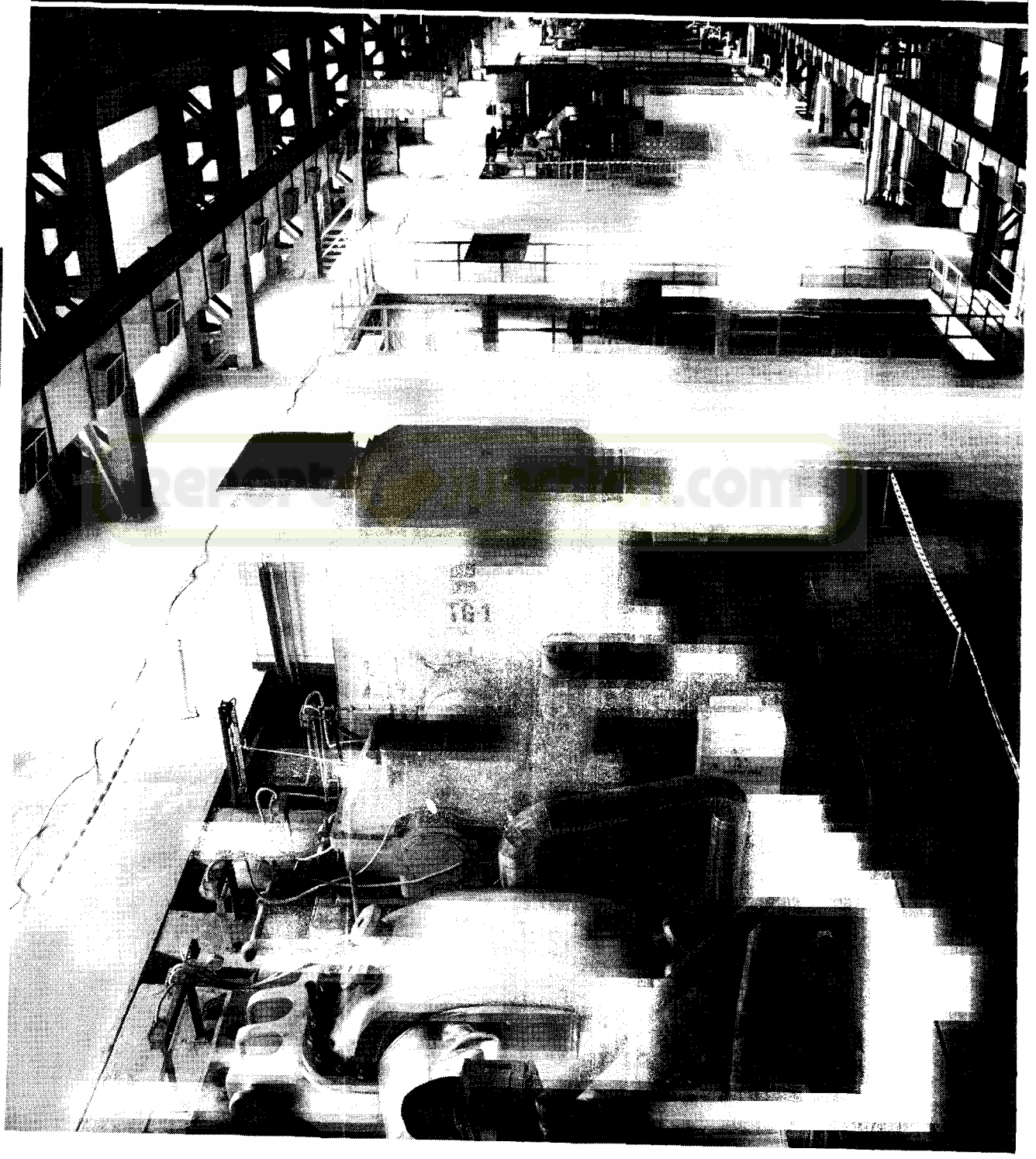
Focus and Foresight



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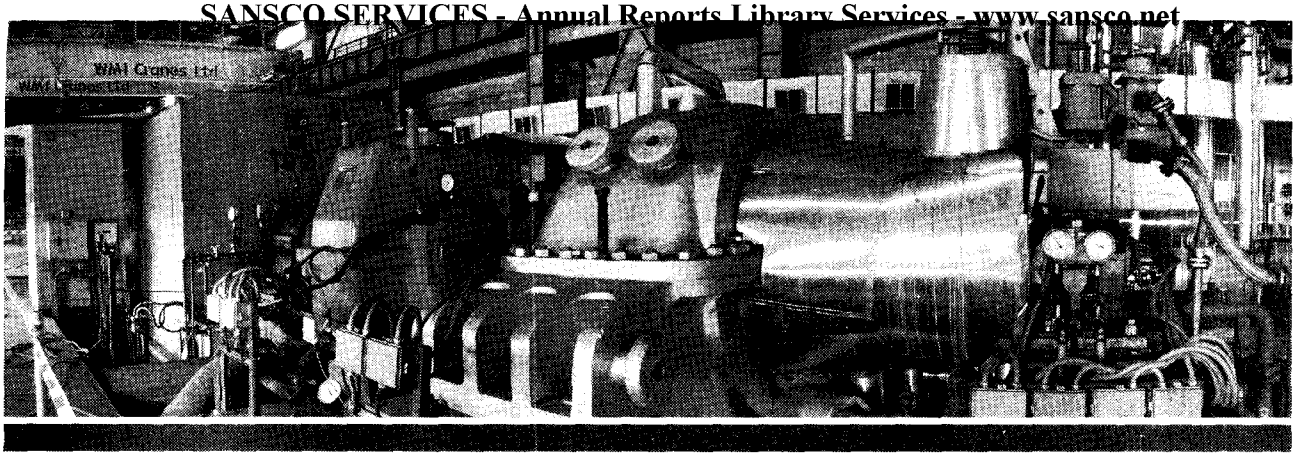


Turbulent times call for lowering production costs through optimum use of raw materials. Additionally, other strategic upstream and downstream extensions to achieve cost-leadership are put on the backburner...

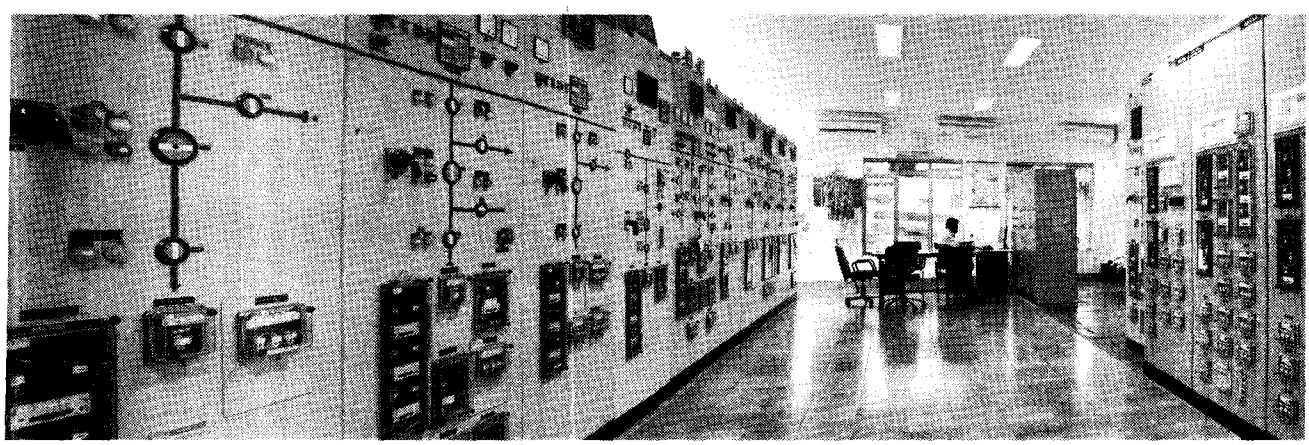
Not at VISA Steel, which commissioned its 50 MW Waste Heat Recovery Power Plant at Kalinganagar. And plans to add another 25 MW by 2010 and 250 MW by 2012 taking the total power generation to 325 MW.

The focus on integrating across the value chain is a critical component of our salient strategy. It represents a courageous answer to adversities as it was done in a year when the underlying product demand itself was uncertain.

At VISA Steel, our continuing investments in expanding our power generation capacity is both a measure of our fundamental strength and our belief that this will add to our abilities to withstand any downturn in a single product group.

The commissioning of the 50 MW Waste Heat Recovery Power Plant, in Orissa, wherein the power is used for captive consumption, has reduced the power cost of the company significantly. The Company plans to further raise the power generation capacity by another 25 MW to 75 MW by 2010 and another 250 MW to 325 MW by 2012 in Orissa. This will result in its ability to sell a sizeable chunk of its power generation, thus opening up another revenue stream, besides of course, the cost advantages and continuous assurance of captive power.

Thus, the duo of focus and foresight have enabled VISA Steel to not only reduce permanently the cost of a critical production input, but also create a newer revenue stream.



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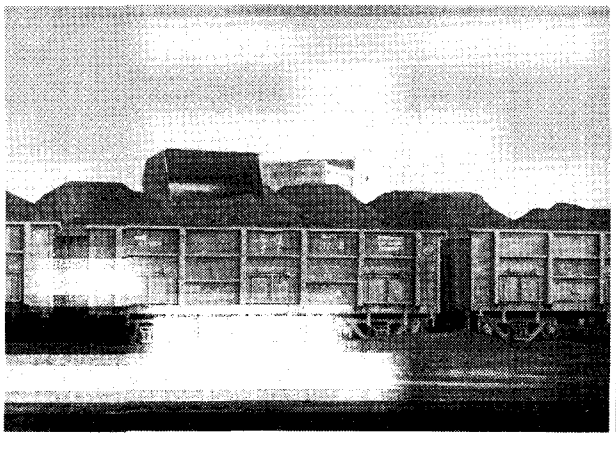
Strength and Security

VISA STEEL



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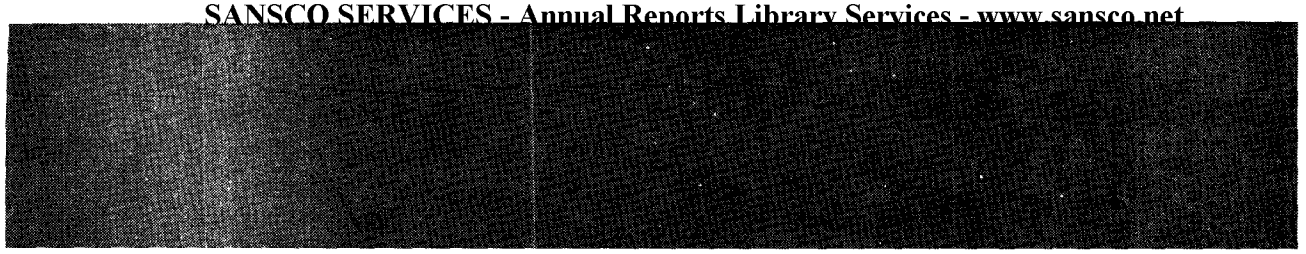

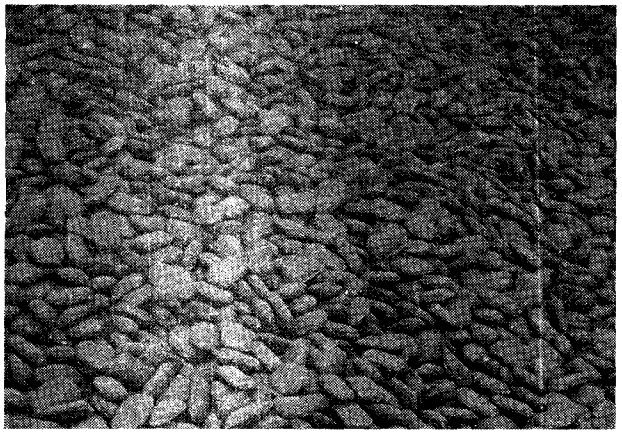

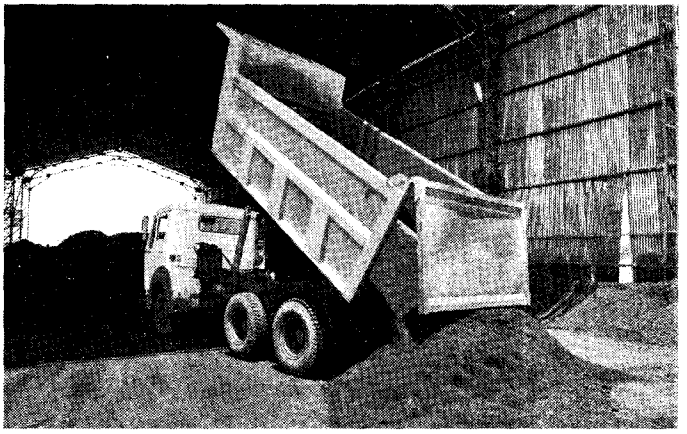

When the going gets tough, additional efforts in raw material sourcing are considered wasteful and detrimental to the continuity of existing arrangements...

Not at VISA Steel, which has fully capitalised on its strategic location in mineral-rich Orissa. And through long-term ore, coal and fuel supply agreements with world renowned suppliers like OMC, Mahanadi Coalfields Ltd and BHP Biliton.

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Ensuring consistent productivity is a critical component of our business strategy. In a year where the offtake and price environment were unfavourable, VISA Steel capitalised on its strategic location in the mineral-rich belt of Orissa, to ensure that when the tide does turn, VISA will be at the forefront of efficient manufacturing.

Specifically, VISA Steel signed a Fuel Supply Agreement with Mahanadi Coalfields Limited for the supply of Steam Coal. Steps taken by the Company with respect to mining of iron ore, chrome ore and coal, through backward integration, will help the Company bring down the cost of raw materials. VISA Steel has also made progress in lowering iron ore and chrome ore costs from OMC. Not only this, we have also secured our requirement of coking coal by way of a long-term contract with BHP Billiton.

The strength of its location and the ability to secure raw materials for future production are demonstrative of VISA Steel's strategic proactiveness.

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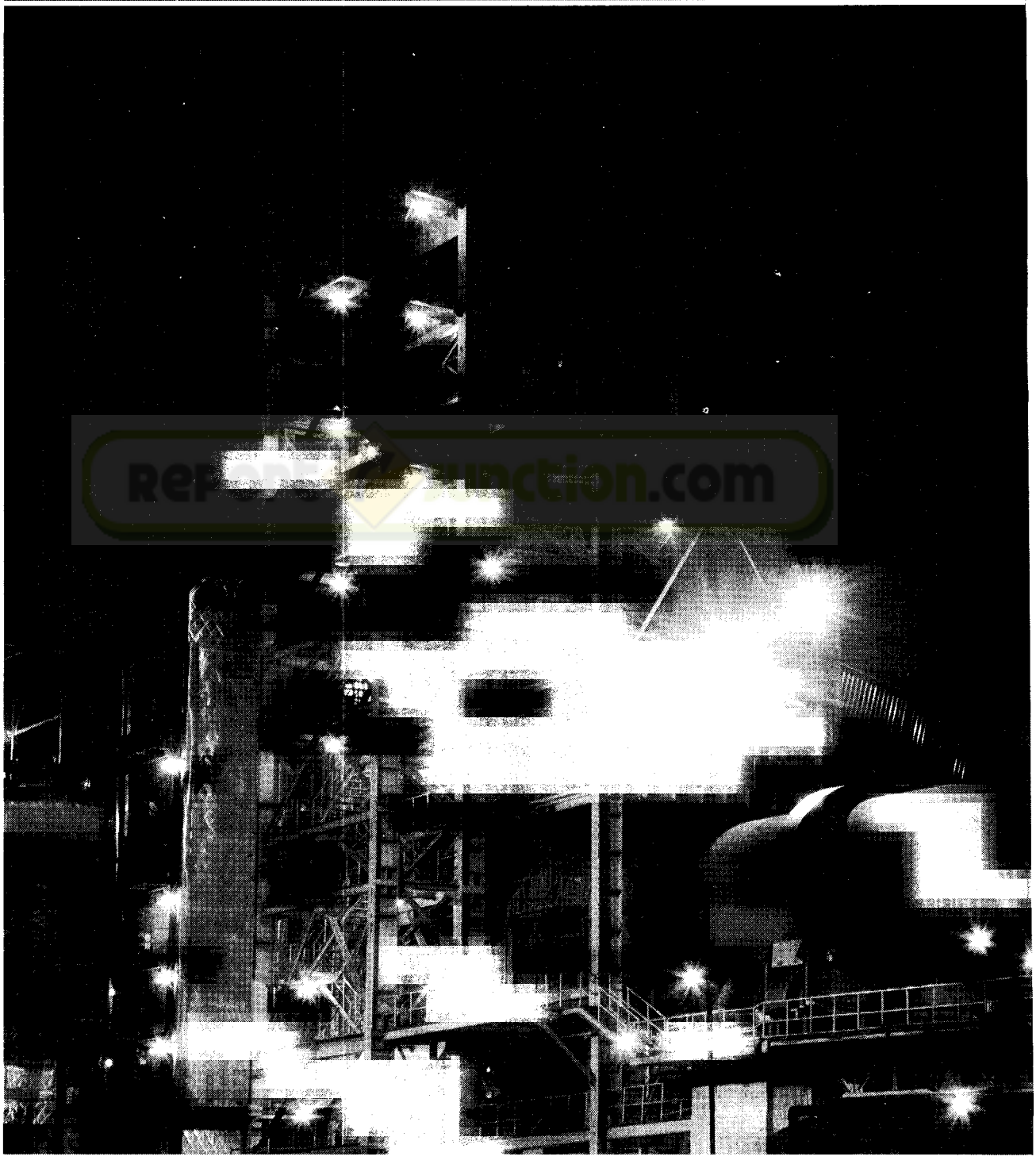
Derisking and Discovering



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