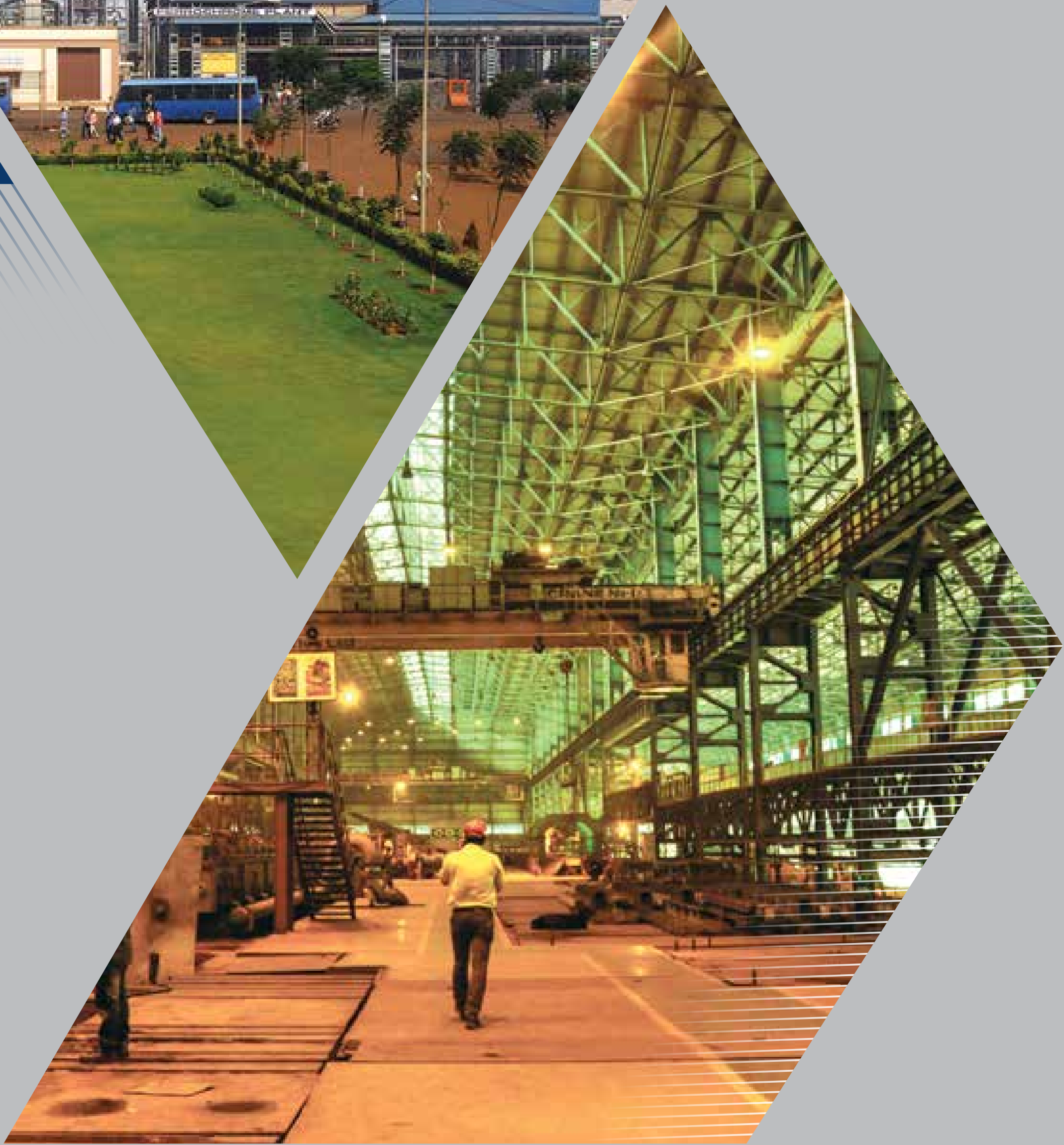
Annual Report
2016-17



VISA STEEL

FORWARD-LOOKING STATEMENTS

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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 assumptions. The achievements of results are 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 keep 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.

For more details visit: http://www.visasteel.com

ADJUSTING TO THE NEW RULES OF THE GAME

THE BUSINESS MODEL OF YOUR COMPANY HAS CHANGED DUE TO THE NEW RULES OF THE GAME AND YOUR COMPANY NEEDS TO ADJUST ACCORDINGLY.

Your Company had set up a Steel Plant in Odisha on the basis of assurance that captive Iron Ore and Coal mines shall be allotted as per MoU signed with Government of Odisha. The Captive Iron Ore and Coal mines would have ensured the long term supply of raw material at cost to the Plant and reasonable EBITDA margin.

However, the deallocation of Coal block through Supreme Court Order in September 2014 and Notification of MMDR Amendment Act in March 2015 wherein captive mines can now be available through auction only has deprived the availability of raw material at cost and increased dependence on OMC for supply of Iron Ore and overseas supplies for Coal at auction/index prices. This has reduced the EBITDA margin potential from the business.

The EBITDA margins of your Company have not been sufficient to enable your Company service interest / principal repayment and during the period April 2011 to March 2016, the Lenders have not disbursed sanctioned limits for operations and adjusted towards interest/ repayment resulting in huge ballooning of liabilities of your Company towards its Lenders, which are much in excess of hard cost of investments in the project. Hence, the debt needs to be restructured to a sustainable level.

VISA STEEL VISION & VALUES

Vision

Create long term shareholder value through value addition of natural resources

Registered Office

Bhubaneswar

Corporate Office

Kolkata

Listing

Your Company has been listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited

Values

Transparency

We are transparent and honest in our profession to all our stakeholders

Team Work

We work together as a team to benefit from our complementary strengths

Passion

We are passionately committed to delivering excellence in performance

Attitude

We demonstrate ownership in our attitude to create sustainable value for shareholders

Governance

We are committed to best standards of safety, corporate social responsibility and corporate governance

FINANCIAL AND OPERATIONAL PERFORMANCE

All amount in Rs. Million, unless otherwise stated

Financial Highlights (Standalone)	FY 2017	FY 2016
Revenue	14,950	10,840
EBIDTA	444	92

Operational Highlights	FY 2017	FY 2016
Hot Metal (in MT)	162,815	121,521
Sponge Iron (in MT)	251,290	224,934
Steel (in MT)	53,206	1,314
Ferro Alloys (in MT)	99,596	85,836
Coke (in MT)	251,418	294,258

RAW MATERIAL

The captive Iron Ore and Coal mines would have ensured long term supply of raw material at cost to the Plant. The deallocation of Coal block and notification of MMDR Amendment Act has deprived the availability of captive mines and increased dependence on imports of Coal and OMC for supply of Iron Ore & Chrome Ore at auction prices. OMC has not been fixing base price of Iron Ore and Chrome Ore in a fair and transparent manner.

There is going to be a period of huge uncertainty in supply of Iron Ore and Chrome Ore after 31 March 2020, when leases of all non-captive mines will expire.

The road transportation cost is very high in Odisha as the rates are fixed by the transportation associations in mining areas which are double the Government notified rates. Your Company plans to have its own railway siding so that it does not have to incur shifting charges to/from nearest public siding.

OPERATIONS

The process route of your Company for manufacturing Steel needs to adjust to the new rules of the game.

Your Company had set up Electric Arc Furnace (EAF) technology for Steel Melting Shop on the basis of assurance that captive Iron Ore and Coal mines shall be allotted as per MoU signed with Government of Odisha which would have reduced cost of DRI to compensate higher Arcing costs. Without captive mines, the EAF route is currently viable only to the extent of Hot Metal, thereby reducing the potential capacity utilisation of Steel Plant, which is adversely impacting cost competitiveness.

Your Company plans to add a Sinter Plant to improve Blast Furnace productivity and reduce its dependence on Iron Ore Lumps, which is more expensive.

MARKETING

The new rules of the game from disruptive technologies in Energy and Transportation are likely to have a significant impact on the demand of our Steel products.

The disruptive technologies including Electric Vehicles, Solar Energy, Battery Storage and Ride Hailing services are likely to increase average automobile asset utilisation rates and change consumer behaviour towards buying cars thereby impacting automobile sales. The shift to Electric Vehicles from Internal Combustion Engine Vehicles will also impact the auto component industry.

Your Company also requires a period of 2 to 3 years to penetrate the market for Special Steel products and add facilities for inspection, quality control and finishing to facilitate various approvals from customers to enable ramp up in operations.