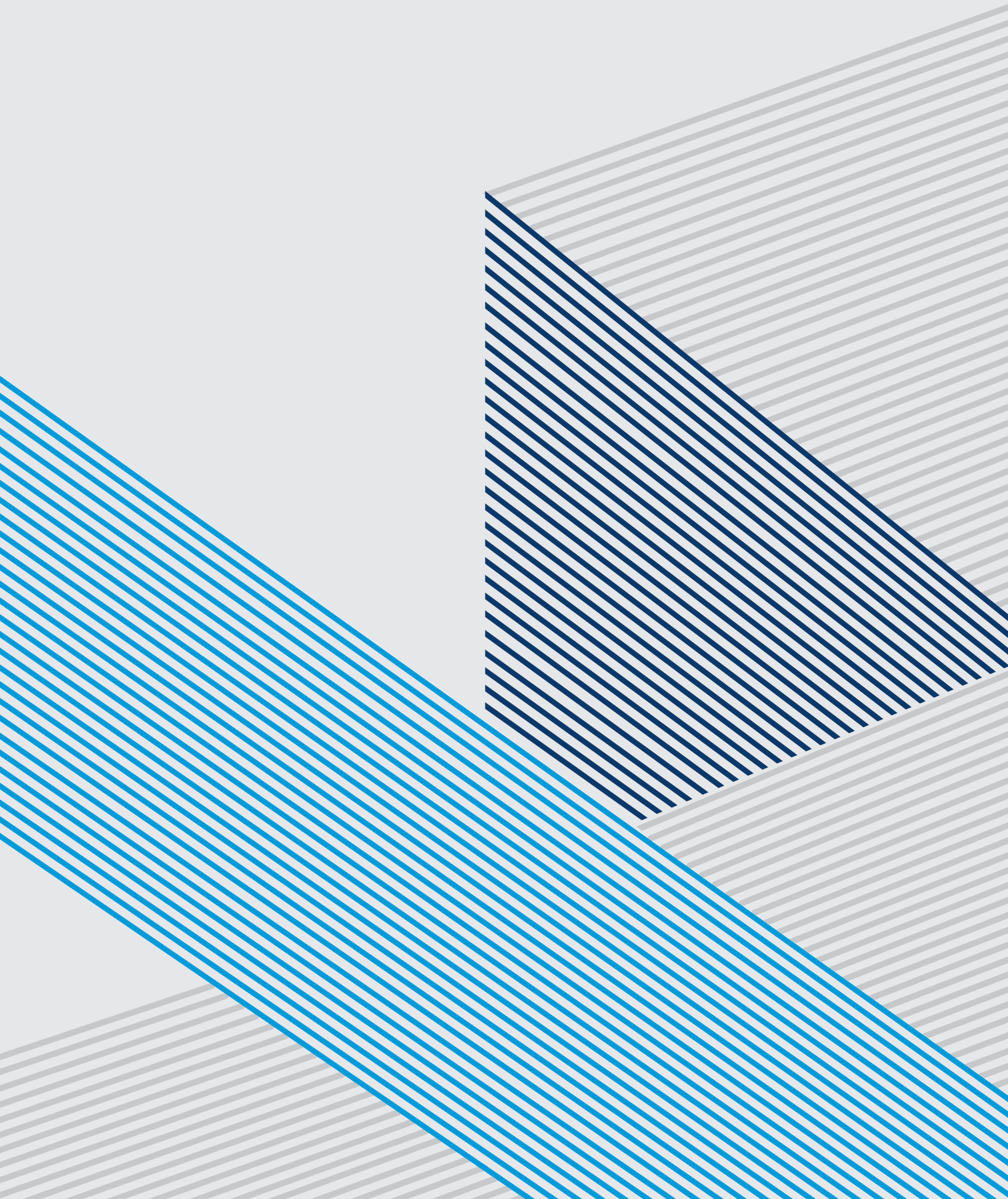


VISA STEEL

Annual Report 2017-18



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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 our 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.

Listing

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

For more details, visit: <http://www.visasteel.com>





VISION & VALUES



Vision

Create long term stakeholder value through value addition of natural resources

Core 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

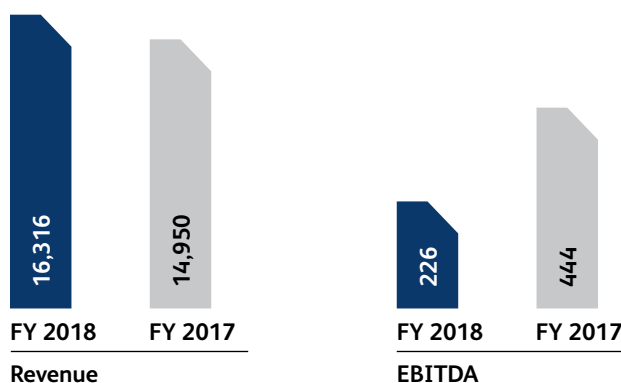
Governance

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

Financial and Operational Performance

All amount in ₹ Million, unless otherwise stated

Financial Highlights (Standalone)



Operational Highlights

	FY 2018	FY 2017
Hot Metal (in MT)	93,812	1,62,815
Sponge Iron (in MT)	2,37,418	2,51,290
Steel (in MT)	38,634	53,206
Ferro Alloys (in MT)	1,15,020	99,596

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 the Memorandum of Understanding (MOU) signed with Government of Odisha. The Captive Iron Ore and Coal mines would have ensured uninterrupted long term supply of raw material at cost to the Plant and reasonable EBITDA margin.

However, the Deallocation of Coal block by Ministry of Coal and Hon'ble Supreme Court order in September 2014 and Notification of Mines & Minerals (Development & Regulation) (MMDR) Amendment Act in March 2015 wherein captive mines can now be available through auction only, has deprived the availability of raw material at actual cost and increased dependence on Odisha Mining Corporation (OMC) for supply of Iron Ore & Chrome Ore and imported supplies for Coal at auction/index prices.

Meanwhile, the lenders have not disbursed sanctioned facilities for operations and have adjusted the same towards interest and it now appears that the so called restructuring was to postpone the classification of the then existing loan as Non-Performing Asset without even considering its adverse effect on Plant operations and financial performance of your Company. Your Company has been requesting lenders to implement Resolution outside the Insolvency and Bankruptcy Code (IBC) 2016 as per Reserve Bank of India (RBI) Guidelines.



RAW MATERIAL

Captive Iron Ore and Coal mines would have ensured uninterrupted long term supply of raw material at actual mining 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, thereby increasing raw material costs.

There is also 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 ending validity of such Iron Ore mines is likely to trigger deficit of 66 million tonnes of Iron Ore in Odisha.

The road transportation cost are 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 needs to have its own railway siding so that it does not have to incur shifting charges to/from nearest public siding.



OPERATIONS



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 Direct Reduced Iron (DRI) to compensate higher arcing costs.

Meanwhile, without captive mines, the EAF route is viable only to the extent of Hot Metal available, thereby reducing the potential capacity utilisation of Steel Plant which is adversely impacting cost competitiveness. The cost of graphite electrodes has also increased sharply.

Your Company had planned to add a Sinter Plant to improve Blast Furnace productivity and reduce its dependence on Iron Ore Lumps which is more expensive, but the sanctioned funds were not disbursed by lenders, resulting in adverse implications on the operations and financial performance.



CHAIRMAN'S INSIGHTS



Vishambhar Saran, Chairman

DEAR SHAREHOLDERS,

The recent few years have witnessed major reforms by the Government of India including MMDR Amendment Act 2015, imposition of Anti-Dumping Duty on Steel Products and implementation of Goods & Service Tax (GST) from 1 July 2017. However, there are still concerns relating to availability of raw material at fair price, auction of several non-captive mines expiring in March 2020 to ensure smooth transition with no disruption in supplies of Iron Ore and Chrome Ore, exorbitant road transport rates and availability of railway wagons etc.

For the year ended 31 March 2018, your Company's standalone revenues increased from ₹ 14,950 million in FY 2016-17 to ₹ 16,316 million in FY 2017-18 and EBITDA decreased from ₹ 444 million in FY 2016-17 to ₹ 226 million in FY 2017-18. Your Company's operations and margins have been adversely affected due to non-availability of working capital and high prices of vital raw materials which have not moved correspondingly in tandem with product prices.

The non-disbursement of sanctioned facilities by lenders has resulted in the production facilities being operated at sub-optimum level resulting in adverse financial performance. Your Company has also been facing challenges regarding availability and pricing of Iron Ore and Chrome Ore.

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The Ferro Chrome prices have witnessed huge price volatility whereas Chrome Ore Mining Companies have been capturing the entire margin in the value chain.

A period of huge uncertainty in supply of Iron Ore and Chrome Ore is likely after 31 March 2020, when leases of all non-captive mines will expire. Your Company needs to manage these risks effectively.

THE INDUSTRY

India is the World's 3rd largest producer of Crude Steel with Steel production in 2017 at 101.4 million tonnes. China has made supply side reforms by closing Induction Furnaces and Chinese Steel demand has been strong in the background of Chinese Elections due to which Steel Exports from China have fallen. The Chinese Government in mid December 2017 announced removal of Export Tax on various Steel Products including Long products from 1 January 2018. However, the threat of Trade War between USA and China escalating and depreciation in Chinese RMB is a significant risk and concern for your Company's business going forward.

VISION & STRATEGY

Your Company is committed to its vision to create long term stakeholder value through value addition of natural resources. Your Company is focused on Debt Resolution as per RBI guidelines, and is making efforts to raise funds for working capital and increasing capacity utilisation for all Units, reducing cost and improving operational efficiencies.

OUTLOOK

The Government of India is giving a thrust to the infrastructure and manufacturing sector and your Company is ready to benefit from this opportunity. However, the emergence of various disruptive technologies is an area of concern and will remain a challenge going forward.

I would like to place on record my sincere appreciation and gratitude to the entire team of VISA Steel for their relentless commitment inspite of the challenging business environment. I am grateful to the members of the Board of the Company for their invaluable guidance and contribution and acknowledge the support of all shareholders. I would also like to convey my sincere thanks to all the stakeholders, lenders, suppliers, customers, employees, Government officials etc. for their valued support as we navigate through these challenging times and I hope to continue to receive your support in the future.

With warm regards & best wishes,



Vishambhar Saran
Chairman

Your Company is committed to its vision to create long term stakeholder value through value addition of natural resources. Your Company is focused on Debt Resolution as per RBI guidelines, and is making efforts to raise funds for working capital and increasing capacity utilisation for all Units, reducing cost and improving operational efficiencies.

VICE CHAIRMAN & MANAGING DIRECTOR'S MESSAGE



Vishal Agarwal
Vice Chairman & MD

DEAR SHAREHOLDERS,

Your Company has set up manufacturing facilities at Kalanganagar in Odisha for production of Steel and Ferro Alloys. Your Company's performance has been adversely impacted mainly due to non-availability of working capital. The non-disbursement of sanctioned facilities has resulted in sub-optimum utilisation of facilities and adverse financial performance.

RAW MATERIAL

Your Company has been adversely impacted by high prices of Iron Ore and Chrome Ore due to lack of fair and transparent mechanism during e-auction and is taking up these matters with OMC on top most priority to ensure that the Iron Ore and Chrome Ore supplies and price are streamlined.

Your Company is taking up with the Government to ensure smooth transition and no disruption in supplies of Iron Ore

and Chrome Ore when the mining leases which have been deemed extended upto 31 March 2020 expire.

OPERATIONS

Your Company's Blast Furnace production was 93,812 MT during FY 2017-18 compared to 162,815 MT in FY 2016-17, DRI/Sponge Iron production was 237,418 MT during FY 2017-18 compared to 251,290 MT in FY 2016-17. Steel production was 38,634 MT in FY 2017-18 compared to 53,206 MT in FY 2016-17 and Ferro Chrome production was 115,020 MT in FY 2017-18 compared to 99,596 MT in FY 2016-17.

MARKETING

The recent Trade War between USA and China with retaliatory tariffs and depreciation in Chinese RMB will create uncertainty in demand, prices and trade flows of Steel products going forward. The Chinese Government Policy on various Raw Materials and Steel products will also have a significant impact on market prices.

FINANCE

Your Company has been under financial stress since 2011-12 due to various external factors beyond the control of the Company and its management. Despite the debt restructuring as per CDR LoA dated 27 September 2012 and 31 December 2014, the lenders have not disbursed sanctioned facilities for operations and have adjusted the same towards interest resulting in complete depletion of working capital and it now appears that the purported restructuring was to postpone the classification of the then existing loan as Non-Performing Asset without even considering its adverse effect on Plant operations and financial performance of your Company.

As per RBI press release dated 13 June 2017, the Internal Advisory Committee (IAC) after reviewing top 500 exposures

classified partly or wholly as Non Performing, arrived at an objective, non-discretionary criterion and recommended that for other Non-Performing Accounts such as your Company, with exposure below ₹ 5,000 Crore, the lenders should finalise Resolution Plan within six months and details of the Resolution Framework for other Non-Performing Accounts will be released in the coming days. Your Company has been requesting lenders to implement a viable Resolution Plan as per RBI guidelines. Meanwhile, State Bank of India (SBI) filed an application with NCLT, Kolkata Bench to initiate Corporate

Your Company's Blast Furnace production was 93,812 MT during FY 2017-18 compared to 162,815 MT in FY 2016-17, DRI/Sponge Iron production was 237,418 MT during FY 2017-18 compared to 251,290 MT in FY 2016-17. Steel production was 38,634 MT in FY 2017-18 compared to 53,206 MT in FY 2016-17 and Ferro Chrome production was 115,020 MT in FY 2017-18 compared to 99,596 MT in FY 2016-17.