



VISA STEEL

ANNUAL REPORT 2018-19

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

COMPANY OVERVIEW

PG 01-13

- 02 Vision & Values
- 04 Chairman's Message
- 06 Vice Chairman & MD's Message
- 08 Board of Directors
- 10 Corporate Social Responsibility

STATUTORY REPORTS

PG 14-49

- 14 Report of the Directors
- 36 Management Discussion and Analysis
- 39 Corporate Governance

FINANCIAL STATEMENTS

PG 50-168

- 50 Standalone
- 107 Consolidated



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



CHAIRMAN'S INSIGHT



Mr. Vishambhar Saran
Chairman

Dear Shareholders,

For the year ended 31 March 2019, your Company's standalone revenues decreased from ₹ 8,632.64 million in 2017-18 to ₹ 8,153.24 million in FY 2018-19 due to lower Ferro Alloy production and EBITDA decreased to ₹ (74.99) million in FY 2018-19 mainly due to high raw material costs.

The operational performance and margins of your Company has been adversely affected due to non-availability of working capital for operations, high prices of Chrome Ore being fixed by OMC, high electricity duty & Coal Cess, high road transport rates and high cutback by Lenders in excess of EBITDA. These factors

have resulted in the production facilities being operated at sub-optimum level. Your Company has been dependent upon OMC for supply of Chrome Ore, a vital raw material and has been facing challenges due to high prices of Chrome Ore.

The Scheme of Arrangement between your Company and VISA Special Steel Limited (VSSL) and their respective shareholders and creditors has been sanctioned by the Hon'ble National Company Law Tribunal, Cuttack Bench vide an Order dated 8 July 2019 and the Certified Copy of the order has been filed with Registrar of Companies on 13 July 2019. Consequently, the Special Steel undertaking (including Blast Furnace, Sponge Iron Plant, Associated Steam Generation Unit, Steel Melting Shop and Rolling Mill) including all its assets and liabilities stand transferred to and vested in VSSL from the appointed date of 1 April 2013.

THE INDUSTRY

Ferro Chrome is used in varying proportions to produce different grades of Stainless Steel. The global Ferro Chrome production was at 13.41 million tonnes in 2018 out of which India's Ferro Chrome production stood at approx. 1.3 million tonnes. India exports approx. 50% of its Ferro Chrome production, primarily to China, South Korea, Japan and Taiwan.

India's Chrome Ore production was at approx. 4.3 million tonnes in 2018 out of which approx. 1.3 million tonnes is produced by OMC, approx. 2 million tonnes is produced by non-captive mines and approx. 1 million tonne by captive mines. The mining leases of non-captive mines will expire on 31 March 2020 which shall result in uncertainty and changes in supply and demand of Chrome Ore. The Ferro Chrome Producers without captive mines

The global Ferro Chrome production was at 13.41 million tonnes in 2018 out of which India's Ferro Chrome production stood at approx. 1.3 million tonnes. India exports approx. 50% of its Ferro Chrome production, primarily to China, South Korea, Japan and Taiwan.



including your Company are vulnerable to this and are making efforts to ensure a smooth transition.

In view of some of the Government's initiatives, the Indian Stainless Steel Sector is expected to grow in the future and the demand for Ferro Chrome is expected to continue to grow consistently driven by Stainless Steel production.

VISION & STRATEGY

Your Company is committed to its vision to create long term stakeholder value through value addition of natural resources. The Company is focused on implementing Debt Resolution as per RBI guidelines and is making efforts for raising funds for working capital, ensuring fair price of Chrome Ore, increasing capacity utilisation, reducing cost and improving operational efficiency.

OUTLOOK

The Government Policies are aimed to attract investment and encourage manufacturing in India which is expected to increase demand for Steel, Stainless Steel and Ferro Alloys going forward. However, the uncertainty in supply of Chrome Ore after 31 March 2020, high raw

material and energy costs, logistics costs and high finance costs are areas 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 including 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.

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. The Company is focused on implementing Debt Resolution as per RBI guidelines and is making efforts for raising funds for working capital, ensuring fair price of Chrome Ore, increasing capacity utilisation, reducing cost and improving operational efficiency.



VICE CHAIRMAN & MD'S MESSAGE



Vishal Agarwal
Vice Chairman & MD

The operational performance and margins of your Company has been adversely affected due to non-availability of working capital for operations and other external factors including challenges arising out of high prices of Chrome Ore being fixed by OMC, high cutback by Lenders in excess of EBITDA, high electricity duty and Coal cess, high road transport rates etc.



Dear Shareholders,

Your Company has set up manufacturing facilities in Odisha for production of Ferro Alloys. The operational performance and margins of your Company has been adversely affected due to non-availability of working capital for operations and other external factors including challenges arising out of high prices of Chrome Ore being fixed by OMC, high cutback by Lenders in excess of EBITDA, high electricity duty and Coal cess, high road transport rates etc. Your Company has been under financial stress since 2011-12 due to various external factors beyond the control of your Company and its management.

RAW MATERIAL

The main raw material for Ferro Chrome is Chrome Ore which is being sourced mainly from OMC under Long Term Agreement. However, the e-auction mechanism for fixing prices has seen unfairly high prices of Chrome Ore due to increase in number of participants in the e-auction. The price fixing mechanism of OMC for long term customers in Odisha continues to remain a key challenge and needs to be resolved to ensure Chrome Ore availability at fair prices. Further, the mining leases of 3 non-captive mines are expiring on 31 March 2020 and the supply demand scenario of Chrome Ore will witness a period of uncertainty. The Ferro Chrome Producers without captive mines including your Company are vulnerable to this and are making efforts to ensure a smooth transition. The uncertainties in mining lease auctions and unfair price fixing mechanism by OMC are creating challenges on availability of Chrome Ore at fair prices.

OPERATIONS

Your Company's Ferro Chrome production was 106,341 MT in FY 2018-19 compared to 115,020 MT in FY 2017-18.

MARKETING

The Chinese economy has slowed down amid escalation of US-China Trade War and shift from investment to consumption driven growth. The NBFC/ liquidity crisis in India and the disruptive technologies have adversely impacted the real estate and automobile sector thereby reducing demand for Iron & Steel products. This has adversely impacted the demand and prices of Ferro Chrome.

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 including setting up of Sinter Plant and have adjusted the same towards interest resulting in complete depletion of working capital and it now appears that the whole exercise of purported restructuring was mere evergreening of debt without even considering its adverse effect on Plant operations and financial performance of your Company.

State Bank of India (SBI) filed an application with NCLT, Kolkata Bench to initiate Corporate Insolvency Resolution Process (CIRP) under Insolvency & Bankruptcy Code 2016 (IBC). In this regard, your Company has filed appropriate petitions in Hon'ble National Company Law Tribunal and in Hon'ble High Court of Orissa and the matters are sub-judice.

Your Company recognises Human Resource as its most important assets and is constantly engaged in enriching the value and developing competencies of Human Resources through various development & training programmes. We improve our team building and encourage family bonding through various employee engagement social activities.



Meanwhile, Banks including Vijaya Bank (since merged with Bank of Baroda), SIDBI, Bank of Baroda, Dena Bank (since merged with Bank of Baroda), Indian Overseas Bank, Central Bank of India, UCO Bank and State Bank of Travancore (since merged with State Bank of India) have already implemented Resolution through sale of debt to ARCs. Other Banks are also in various stages of implementing Resolution through sale of debt to ARCs.

HUMAN RESOURCE

Your Company recognises Human Resource as its most important assets and is constantly engaged in enriching the value and developing competencies of Human Resources through various development & training programmes. We improve our team building and encourage family bonding through various employee engagement social activities.

CORPORATE SOCIAL RESPONSIBILITY

We acknowledge our role and responsibility as a corporate citizen. In line with our core business philosophy, concern for Health, Safety and Environment continue to be one of our key priorities. As a responsible corporate, the Company is focused on the happiness of people living in its larger neighboring communities. Your

Company's CSR team has directed its community development work in the areas of education, healthcare, rural development, sports & culture and your Company wishes to continue its support and focus on these issues.

I would like to convey my sincere thanks to all the stakeholders including shareholders, lenders, suppliers, customers, Government officials and employees for their valued support.

With warm regards & best wishes,

Vishal Agarwal
Vice Chairman & MD

BOARD OF DIRECTORS



Mr. Vishambhar Saran
Chairman

Born on 4 December 1947 at Faizabad, U.P., Mr. Saran secured a Bachelor's Degree in Mining Engineering from Indian Institute of Technology, Banaras Hindu University in 1969. He served Tata Steel for 25 years, starting from their various mines, Paradip Port and Kolkata & Jamshedpur Offices. He rose to the position of Director – Raw Materials, Tata Steel in 1988 & Director of Budgets in 1993. He availed voluntary retirement from 31 March 1994.

Mr. Saran founded the VISA Group in April 1994 and has built it up from scratch to a significant minerals, metals and energy conglomerate.

Philanthropically, creating and improving educational and medical facilities for the poor in backward districts of Odisha, UP and West Bengal through "VISA Trust", founded by him and his wife.

Mr. Saran is Honorary Consul of the Republic of Bulgaria for Eastern India; Trustee on the Board of Kalyan Bharti Trust & VISA Trust; Chairman of the Board of Governors, Heritage Law College, Kolkata; Member of National Executive Committee of Federation of Indian Chamber of Commerce Industry (FICCI).

Formerly, Mr. Saran was the President of Indian Chamber of Commerce, Kolkata; President of Coal Consumers Association; Trustee on the Board of Chennai Port Trust; Member, Governing Council of the International Chromium Development Association, Paris; Raw Material Committee of the International Iron & Steel Institute, Brussels; CII Eastern Regional Committee; Board of Tata Sponge Iron Limited and Standard Chrome Limited.

He is a keen golfer and an avid art collector.



Mr. Vishal Agarwal
Vice Chairman & Managing Director
Chairman - Corporate
Responsibility Committee

Mr. Agarwal holds a Bachelors Degree from London School of Economics and a Masters Degree from Oxford University. He was born in Faizabad, Uttar Pradesh and completed his schooling from Mayo College, Ajmer and Cheltenham College, UK. He has over 21 years of rich experience in the Iron & Steel industry with hands on experience of setting up greenfield projects and international trading business. During 1997 to 2004, Mr. Agarwal developed the international trading business for the VISA Group in minerals and metals including Chrome Ore, Iron Ore, Manganese Ore, Alumina, Ferro Alloys etc. Since 2004, he has built the Special Steel, Ferro Chrome and Coke business from scratch. His leadership enabled Strategic Joint Venture partnerships with global Companies including Baosteel, China and SunCoke Energy, USA.

He is a Committee Member of Indian Chamber of Commerce (ICC). His Sporting activities include Golf, Tennis & Swimming. Mr. Agarwal is also actively involved in promoting CSR activities in the areas of education and healthcare in Odisha through the VISA Trust.



Mr. Pratip Chaudhuri
Independent Director
Chairman - Stakeholders Relationship
Committee, Nomination &
Remuneration Committee and
Finance & Banking Committee

Mr. Pratip Chaudhuri is the former Chairman of State Bank of India (SBI) and has 40 years of rich experience in banking sector. He holds Master's Degree in Science and Statistics from University of Rajasthan and is an alumnus of University Business School, Chandigarh. He has also served as the Chairman of SBI Global Factors Ltd, State Bank of Mysore, State Bank of Bikaner & Jaipur, State Bank of Travancore and State Bank of Hyderabad. He was also a Director at Export-Import Bank of India and State Bank of Patiala.