

VISA STEEL

VISA Steel Limited
Annual Report 2005-06

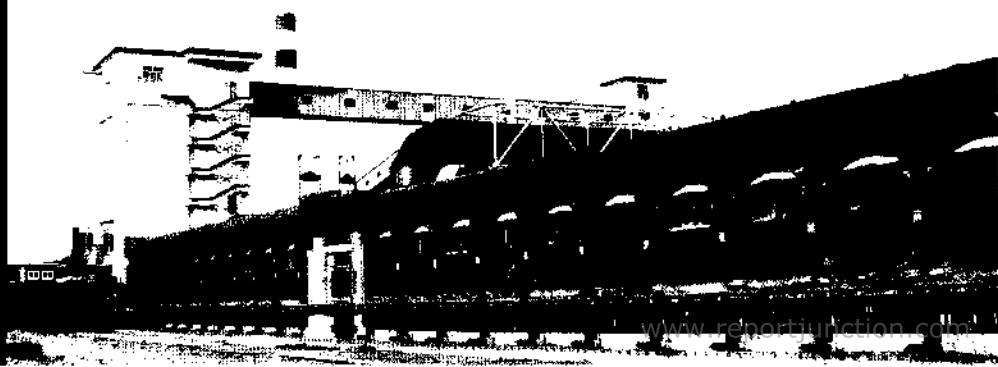


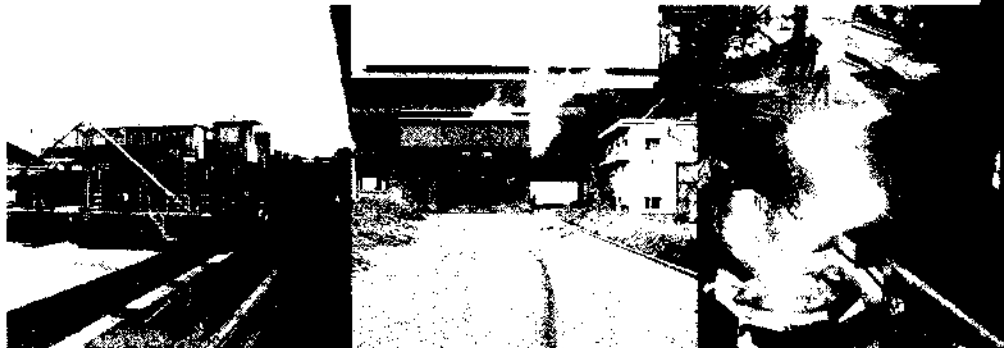
2. Board of Directors

Mr. Vishambhar Saran, Executive Chairman
Mr. Maya Shanker Verma, Independent Director
Mr. Arvind Pande, Independent Director
Mr. Debi Prasad Bagchi, Independent Director
Mr. Pradip Kumar Khaitan, Independent Director
Mr. Shanti Narain, Independent Director
Mrs. Saroj Agarwal, Non-executive Director
Mr. Vikas Agarwal, Non-executive Director
Mr. Vivek Agarwal, Non-executive Director
Mr. Vishal Agarwal, Managing Director

Mr. Manoj Kumar Digga

Mr. S.Swaminathan





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Tel. + 91 33 3051 9000, Fax: +91 33 3051 9001

Email: visacal@visa-group.com

Auditors

Lovelock & Lewes

Internal Auditors

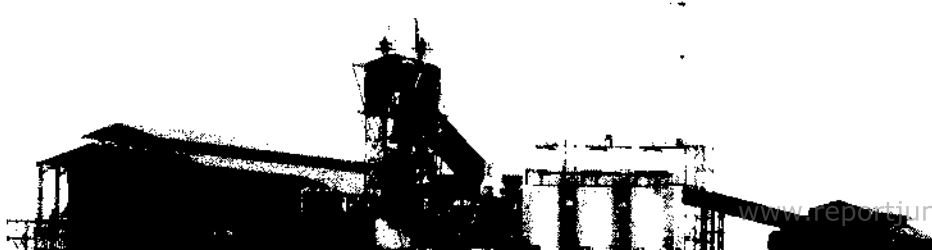
L.B.Jha & Co

Solicitors

Khaitan & Co

Bankers

Allahabad Bank • Andhra Bank • Bank of Baroda • Bank of India • Central Bank
• Dena Bank • HSBC • ICICI Bank • Indian Overseas Bank • Oriental Bank of
Commerce • State Bank of India • State Bank of Hyderabad • Syndicate Bank
• UCO Bank • Union Bank of India • Vijaya Bank



A high-contrast, black and white photograph of a large pile of scrap metal. In the upper right, a building with a gabled roof is visible, partially obscured by the scrap. The foreground and middle ground are filled with a dense, chaotic pile of metal fragments, likely from a recycling or scrap yard.

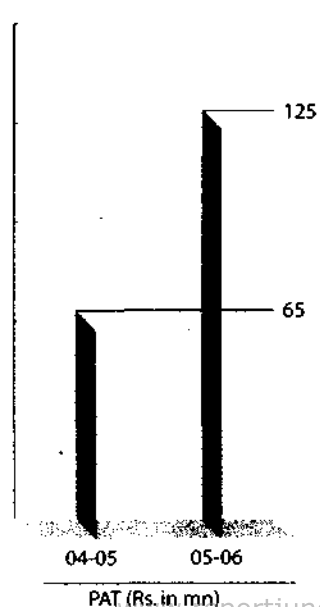
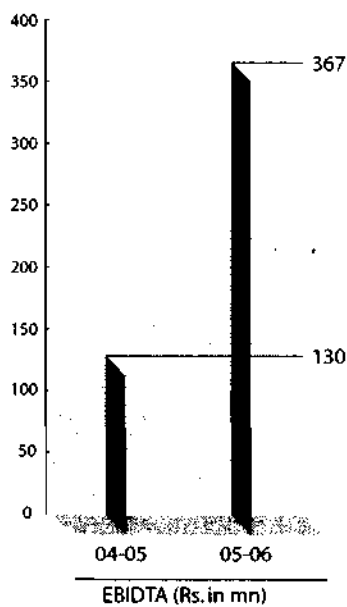
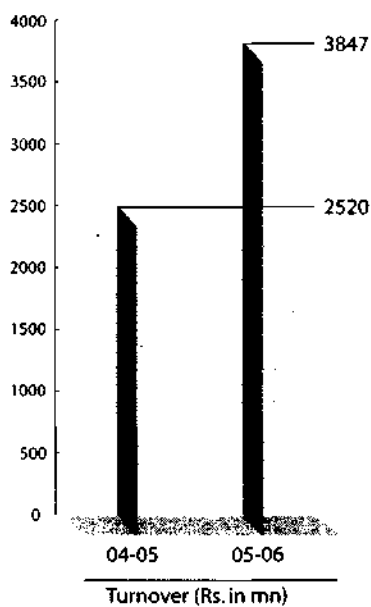
Our Vision

"Emerge as a leading low cost integrated producer of Special and Stainless Steel partnering with our stakeholders to grow across an extended value chain."

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Highlights 2005-06



Stabilisation of the Blast Furnace, which was commissioned in a record 11 months in end March, 2005 and achieved hot metal production of 151,647 MT during FY 2005-06.

Achieved productivity level of 2.5, which is among the highest in India for this size of Blast Furnace.

Secured Raw Material linkage through long term agreement with Sesa Goa for supplies of Iron Ore.

Planning to develop captive mines for iron ore, chrome ore (Ghotaringa Minerals) and Coal (Patrapara Coal Block).

Commissioned a part of the 400,000 TPA Stamp-Charged Heat-Recovery Non-Recovery type Coke Oven Plant on schedule in end March, 2006.

Implemented SAP to streamline processes, systems and control mechanisms.

Implementing a 50,000 TPA Ferro Chrome Plant, 300,000 TPA Sponge Iron Plant, 50 MW Power Plant and 0.5 million TPA Special & Stainless Steel Plant.

Mobilized Rs.1,995 million by entering the capital markets through an IPO.

Subscription of IPO by over 6.6 times with the QIB segment being oversubscribed 11 times.

The Company completed financial closure of debt of Rs.7,450 million.



Chairman's Statement



Dear Shareholders

The year 2005-06 was a significant one for the global minerals and metals industry with considerable volatility in prices. The global Steel, Special Steel and Stainless Steel demand registered a strong growth. As in the previous year, this growth was largely driven by the two emerging forces in the global steel industry – China and India – leading to a continued strain on the raw material supply chain thereby affecting industry profitability for a part of the year.

Against the backdrop of a challenging business environment with volatility in both raw material and finished product prices, VISA Steel registered a strong financial performance in 2005-06. The Company's revenue increased by 53% to Rs 3,847 million, EBITDA increased by 181% to Rs 367 million and PAT rose by 90% to Rs 125 million. The Company was able to report a superior performance through the prudent leveraging of its knowledge and understanding of the coal, minerals, iron and steel business.

The growth in revenue and profits during FY 2005-06 has been driven by the Pig Iron business and with the Coke Ovens having been commissioned during end March 2006, growth from Coke business shall be seen only during the next financial

year. Further, the growth from the strategic move of the Company into becoming a fully integrated Special and Stainless Steel producer shall progressively unfold as the Ferro Chrome Plant, Sponge Iron Plant, Power Plant and Special and Stainless Steel Plant get into production in a modular manner.

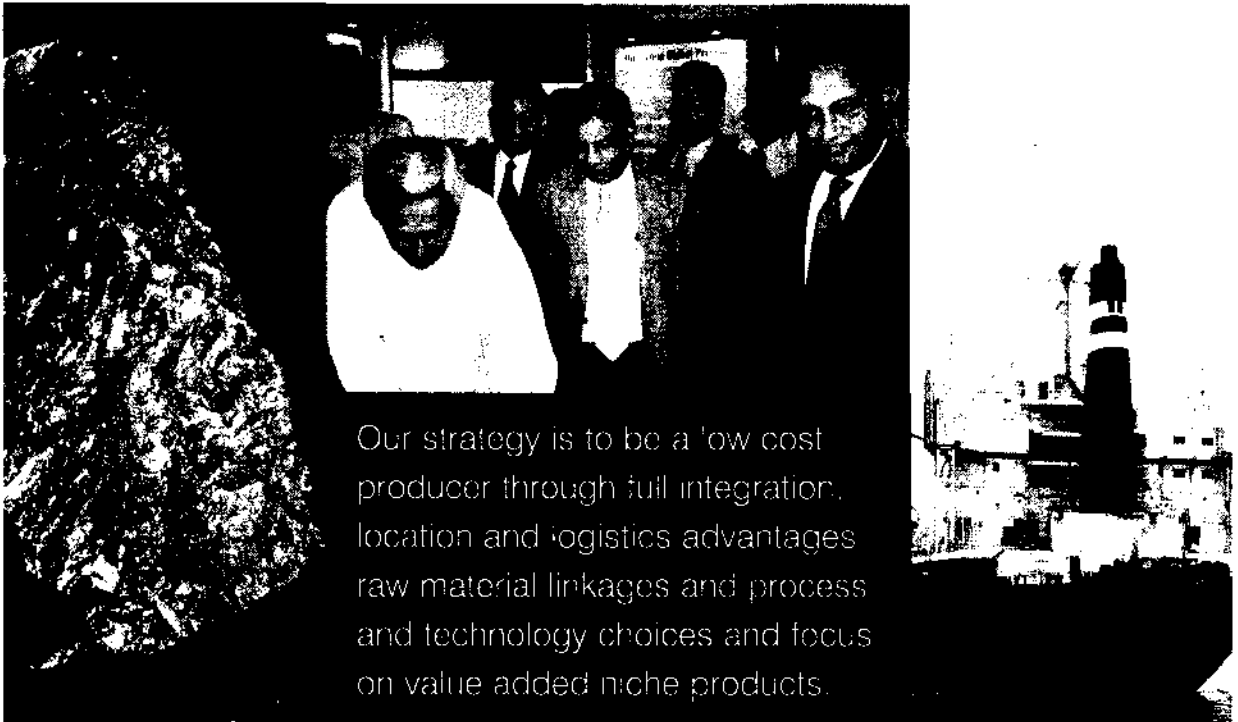
The demand growth for Steel has been robust due to strong global economic growth and especially demand growth from China, which is expected to continue on the backing of strong infrastructural spending. Going ahead, India is expected to emerge as the next growth engine, with a strong economic growth forecast, low but growing per capita steel consumption and population of over a billion – next only to China.

On the supply-side, steel-manufacturing assets are progressively being relocated closer to raw material sources, especially in China and India. Moreover, a consolidation within the global steel industry is expected to result in greater discipline in production levels and stable pricing patterns. The Chinese Steel Policy has set a direction for consolidation and it also discourages the export of depleting natural resources like coal and intermediary products like Lam Coke, Pig Iron, Ferro Chrome and primary steel products. This is positive for the Indian Steel producers as they can cater to the growing domestic as well as international demand.

VISA Steel, a subsidiary of VISA Minmetal AG, has sensed an opportunity for a fully integrated player



VISA Steel has sensed an opportunity for emerging as a fully integrated player in the special and stainless steel sector



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in the Special and Stainless Steel Sector and has acted swiftly by setting up part of the facilities and the remaining is under construction. Globally, the Special and Stainless Steel products account for approximately 9 per cent in volume and 20 per cent in value of the total worldwide steel production and hence is a high value contributor.

A majority of the special steel manufactured in India is presently used in the automobile and auto component sector. India is emerging as a global hub for outsourcing of auto components due to competitive and skilled labour, availability of raw material and high quality engineering skills.

With a vision to emerge as a globally-competitive and world-class integrated producer of special and stainless steel, VISA Steel has embarked upon an

expansion programme to set up a 50,000 TPA Ferro Chrome Plant, 300,000 TPA Sponge Iron Plant, 50 MW Power Plant and 0.5 million TPA Special and Stainless Steel Plant. Upon completion and commissioning of this project, the Company will rank among the largest integrated single-location Special and Stainless Steel producers in India.

Our strategy is to be a low cost producer through full integration, location and logistics advantages, raw material linkages and process and technology choices and focus on value added niche products. Our Plant at Kalinganagar offers excellent location and logistics advantages through close proximity to key raw materials and infrastructure, with Daitari Iron Ore Mines 30 Kms away, Sukinda Chrome Ore Mines 35 Kms away, the Talcher Coalfields 110 Kms away, Paradip Port

120 Kms away, Jakhapura Railway Station 2 Kms away, Duburi Power Grid 10 Kms away and the Brahmani River 5 Kms away.

The Company is integrating backwards into mining of Iron Ore, Chrome Ore and Coal to de-risk itself from volatility in raw material prices. Iron Ore is currently being sourced from OMC, OMDC and Sesa Goa until commencement of its own mining operations. The Patrapara Coal Block at Talcher has been allotted to the Company which is intended to be developed through an SPV jointly with other allottees. The Company is also developing a Chrome Ore deposit through its subsidiary Company, Ghotaringa Minerals Limited.

The Process route of Hot Metal and DRI into the Electric Arc Furnace selected by VISA Steel is the future of high quality Steel making in India. The