

VISA STEEL



Annual Report 2011-12

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CONSOLIDATING BUSINESSES, UNLOCKING VALUE

VISA Steel has created a world class facility at Kalinganagar in Odisha, which is India's most attractive State for Special Steel, Ferro Chrome and Coke making and accounts for 33 % of total Iron Ore reserves, 28 % of Coal reserves and 97 % of Chrome ore reserves in India. Kalinganagar Industrial Complex is a large Steel hub in India and investment destination with excellent Road, Railway and Port connectivity.

The Company has a strong product portfolio with multiple revenue and EBIDTA streams from Special Steel, Ferro Chrome, Coke and Power businesses. Whilst the Ferro Chrome, Coke & Power businesses have been doing well, the Special Steel business has been facing challenges due to non-availability and high prices of Iron Ore which along with high interest costs and volatile foreign exchange rate have impacted the performance of the Company.

VISA Steel is now focusing on consolidating its operations and improving efficiencies as well as restructuring its loans and unlocking value through strategic partnerships to raise equity and deleverage.



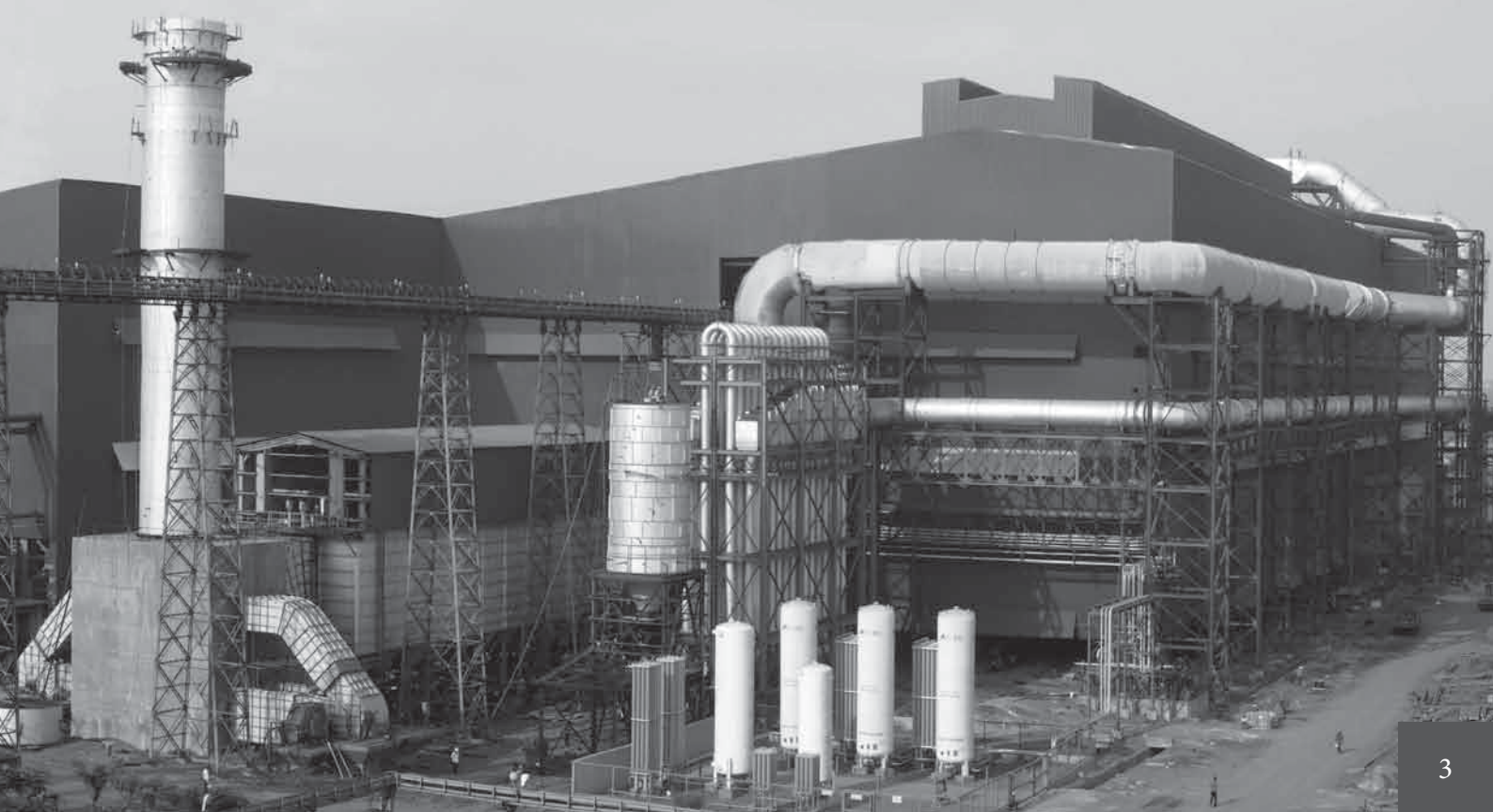
SPECIAL STEEL BUSINESS



VISA Steel has set up a world class fully integrated 0.5 million TPA Special Steel Plant with Blast Furnace, Sponge Iron Plant, Steel Melting Shop (EAF, LRF & VD) & Rolling Mill (Bar & Wire Rod Mill) for supply to the automobile, construction, infrastructure, engineering, railway and defence sectors.

Due to the sharp drop in availability of Iron Ore and the consequent increase in prices, the Special Steel business has been adversely impacted. The Company is on the verge of getting Iron Ore Mines in Odisha. The Iron Ore availability is also likely to improve from OMC's Daitari Mines after getting forest clearance for Baliparvat Stockyard and the start up of the Iron Ore Pellet Plant being set up by BRPL. VISA Steel also plans to set up an Iron Ore Sinter Plant to ensure continuous availability of Iron Ore for smooth running of the Blast Furnace and enhance the profitability of the Special Steel business.

VISA Steel is also exploring option for having a strategic partnership with an Iron Ore Mining Company or a Global Steel Player.



FERRO CHROME BUSINESS



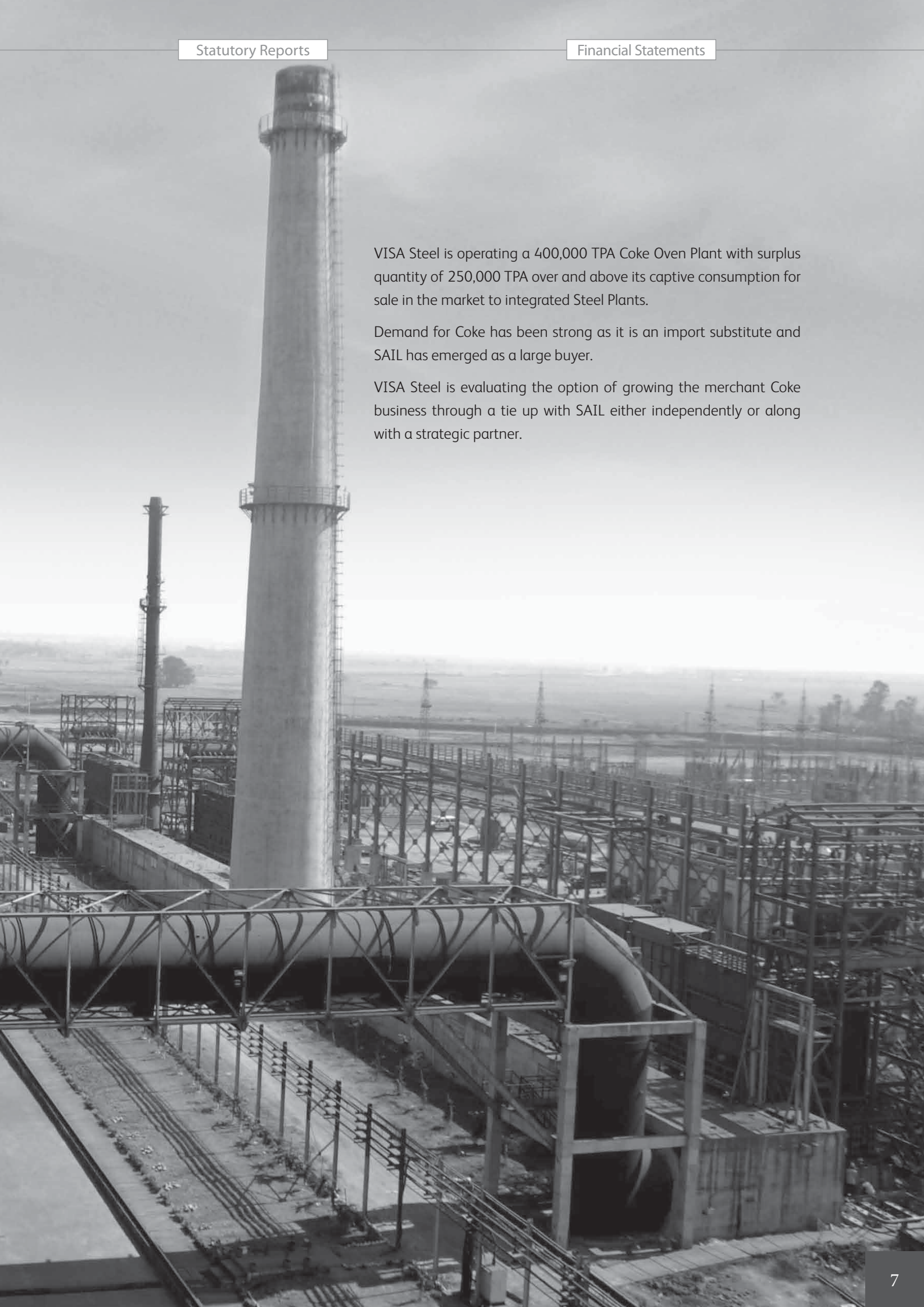
VISA Steel is operating a 50,000 TPA Ferro Chrome Plant for sale to various Stainless Steel Plants globally. In addition, a 100,000 TPA Ferro Chrome Plant is being implemented through VISA BAO, a Joint Venture with Baosteel, China. This would make VISA among the leading player in the Ferro Chrome industry.

The demand for Ferro Chrome has been strong due to supply constraints in South Africa because of inadequate availability of Power. With power cuts being imposed on power intensive industries in South Africa, consumers of Ferro Chrome globally are diversifying their Ferro Chrome sourcing base to the other countries like India.



COKE BUSINESS



A tall, cylindrical industrial chimney stands prominently in the foreground of a steel plant. The chimney is surrounded by a network of steel beams and walkways. In the background, various industrial structures, including pipes and scaffolding, are visible under a clear sky.

VISA Steel is operating a 400,000 TPA Coke Oven Plant with surplus quantity of 250,000 TPA over and above its captive consumption for sale in the market to integrated Steel Plants.

Demand for Coke has been strong as it is an import substitute and SAIL has emerged as a large buyer.

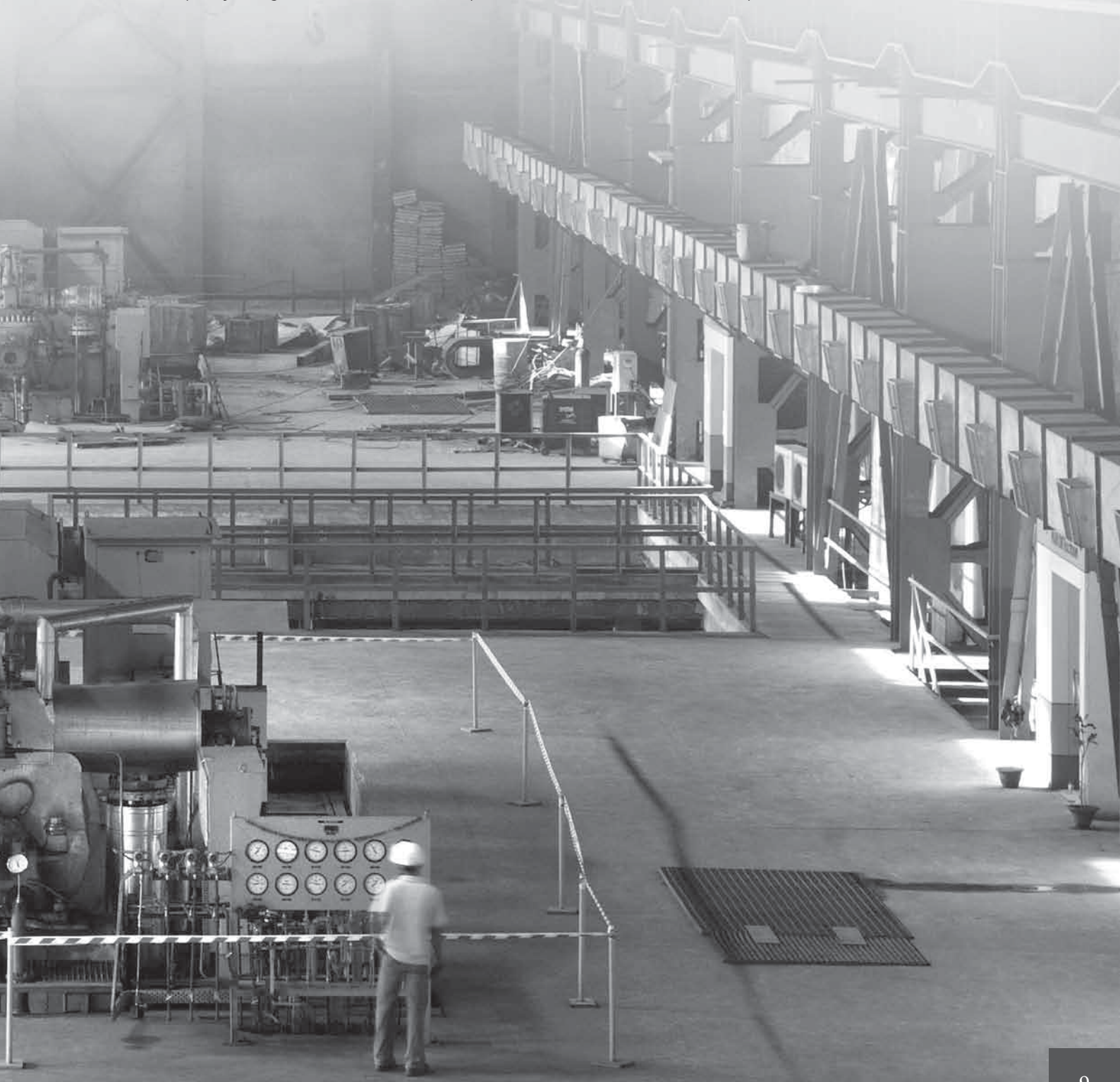
VISA Steel is evaluating the option of growing the merchant Coke business through a tie up with SAIL either independently or along with a strategic partner.

CAPTIVE POWER BUSINESS



Energy is one of the key cost components in Steel and Ferro Chrome Operations. The low cost and uninterrupted availability of power is critical to facilitate operations, reduce external dependence and optimise costs.

VISA Steel is operating a 75 MW captive Power Plant. Due to rising power tariffs, the captive Power Plant contributes significantly to margins. The Company plans to eventually add Captive Power generating capacity along with commencement of production at the Coal Block at Patrapada in Talcher, Odisha.



RESOURCE INTEGRATION



Having completed full integration on the manufacturing facilities, the focus is now to mine our own Iron Ore, Chrome Ore and Coal to secure stable raw material supplies and lower costs.

We have a 54 million tonne share of a coal block in Patrapada at Talcher which is under development. We are also on the verge of getting Iron Ore mines in Odisha and Chhattisgarh. We have been allotted prospecting licence for Chrome Ore mines in Manipur and are in the process of developing the same. We are further exploring opportunities to acquire coal mines in Australia and Indonesia. The consolidated affect of mining our own iron ore and coal shall lead to strengthening our operating margins.



ABOUT VISA STEEL



- Registered office in Bhubaneswar, Corporate Office in Kolkata and manufacturing facilities at Kalinganagar and Golagaon in Odisha and Raigarh in Chhattisgarh.
- Shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Current Facilities at Kalinganagar, Odisha

| Facility | Capacity |
|---------------------|-------------|
| Coke Oven Plant | 400,000 TPA |
| Ferro Chrome Plant | 50,000 TPA |
| Pig Iron Plant | 225,000 TPA |
| Sponge Iron Plant | 300,000 TPA |
| Power Plant | 75 MW |
| Steel Melt Shop | 500,000 TPA |
| Bar & Wire Rod Mill | 500,000 TPA |

Projects Under Implementation in Odisha

- VISA BAO –100,000 TPA Ferro Chrome Plant in Odisha, in joint venture with Baosteel.

Projects Under Planning in Odisha, Chhattisgarh and Madhya Pradesh

- Expansion of Special Steel to 1 million TPA & Captive Power Plant to 375 MW at Kalinganagar in Odisha.
- 2.5 million TPA Steel Plant and 500 MW Captive Power Plant at Raigarh in Chhattisgarh.
- 1.25 million TPA Steel Plant, 100,000 TPA Manganese Alloy Plant and 300 MW Captive Power Plant in Madhya Pradesh.



VISION

“Emerge as a low cost & efficient producer of value added steel products with captive coal, mineral resources and power”

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

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

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

STRATEGIC GOALS



Integrate across value chain
with captive mines and power.

Build partnerships with
customers and suppliers.

Leadership in business segment
through market share.

Family of capable, motivated
and happy employees.

Maximize shareholder
value by Market Cap and ROCE.

STRATEGY AND MISSION

Integrate across value chain with captive mines and power

- Securing mining leases for key raw materials – iron ore, chrome ore & coal.
- Build captive power plants.
- Select technologies with long-term competitiveness.

Leadership in business segment through market share

- Understand the steel market, identify products with demand growth and set market share goals.
- Develop strong sales & distribution network with corporate branding.

Maximize shareholder value by Market Cap and ROCE

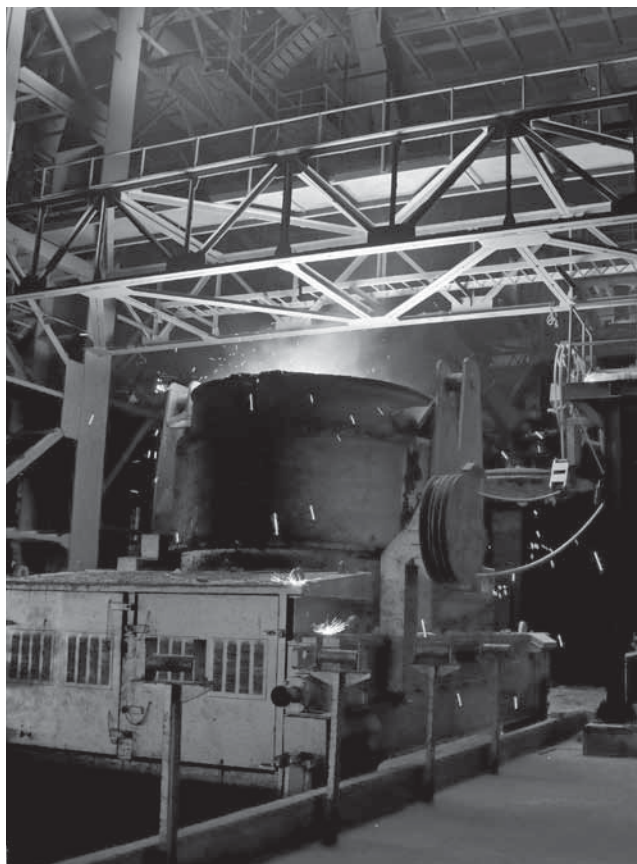
- Ensure capital allocation for growth to generate better ROCE and Market Cap than industry peers.
- Create assets at competitive capital costs and operate efficiently.

Build partnerships with customers and suppliers

- Be preferred supplier through competitive pricing and high standards of quality and service.
- Build and sustain long-term relationships with strategic customers and suppliers.

Family of capable, motivated and happy employees

- Recruit effectively.
- Train and develop people continually.
- Provide safe and clean working environment.
- Develop sense of organisational ownership and teamwork.

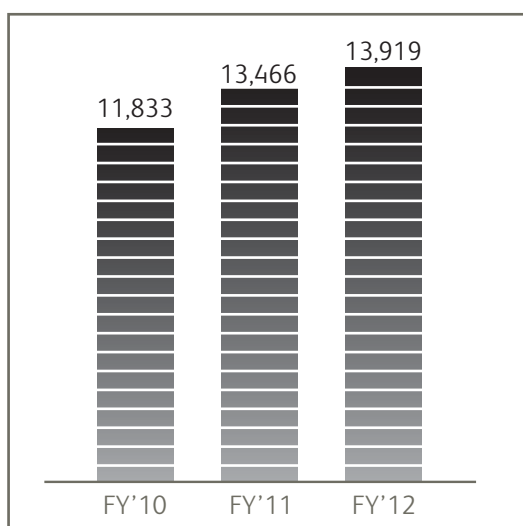


Steel Melting, Billet Casting & Rolling Mill in operation

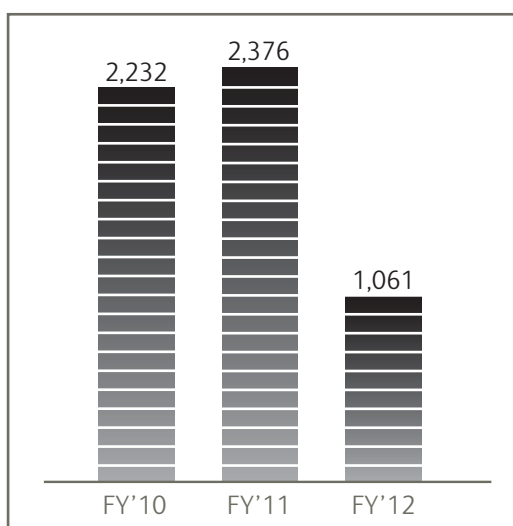
FINANCIAL AND OPERATIONAL PERFORMANCE

TOTAL REVENUE AND EBIDTA

Total Revenue (Rs. million)



EBIDTA (Rs. million)



(Rs. Million unless indicated otherwise)

| Financial Highlights | FY'12 | FY'11 |
|----------------------|---------|--------|
| Revenue | 13,919 | 13,466 |
| EBIDTA | 1,061 | 2,376 |
| EBIDTA Margin | 7.6 % | 17.6 % |
| PAT | (1,189) | 514 |
| Net Margin | (8.5 %) | 3.8 % |
| Share Capital | 1,100 | 1,100 |
| Net Worth | 2,344 | 4,130 |

| Operational Highlights | FY'12 | FY'11 |
|--------------------------|---------|---------|
| Coke (in MT) | 354,634 | 340,339 |
| Ferro Chrome (in MT) | 22,368 | 44,372 |
| Hot Metal (in MT) | 84,454 | 46,233 |
| Sponge Iron (in MT) | 157,356 | 134,538 |
| Power (in Million Units) | 435 | 226 |

CHAIRMAN'S STATEMENT



Dear Shareholders,

The financial year 2011-12 has been one of the most challenging years for the Company. The combined effect of European debt crisis and global economic slowdown along with the domestic challenges of non availability and high cost of raw material have impacted the Iron & Steel industry and the performance of the Company.

The Company has multiple revenue and EBIDTA streams from Coke, Ferro Chrome, Special Steel and Power business. The Coke, Ferro Chrome and Power business is performing well but it is unfortunate that whilst the special steel making facilities are completed, the Iron Ore challenges have impacted the Special Steel business adversely. This coupled with high interest rates and foreign exchange fluctuations due to the volatile global environment has impacted the Steel industry in India and has resulted in losses being suffered by the Company.

VISA Steel is now focused on consolidating its businesses and improving efficiencies as well as restructuring its loans and unlocking value through strategic partnerships to raise equity and leverage.

Annual Results

For the year ended 31 March 2012, the Company recorded a revenue growth to Rs.13,918.96 million from Rs.13,466.45 million in 2010-11. However, the EBIDTA decreased to Rs.1,060.62 million from Rs.2,376.09 million in the previous financial year. PAT fell from Rs.513.77 million during the previous financial year to a loss of Rs.1,188.54 million during financial year 2011-12.

The growth in revenues is driven by sales volume growth for Coke and Pig Iron and better price realisations from Sponge Iron, inspite of lower sales volumes for Ferro Chrome. The Company had low production volumes in its iron and steel making facilities due to non availability and high cost of Iron Ore.

The Industry

The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw material and increased volatility in prices have put pressure on margins.

India is poised to be a dominant player in the Global Steel industry with a strong growth in its economy. Demand for steel products is being driven primarily by infrastructure and consumption led sectors including construction, automobile, white goods and oil & gas. However, the Steel industry in India has suffered due to the non availability and high prices of Iron Ore, high interest rates and foreign exchange volatility.

During the year, the export tax on Iron Ore and Chrome Ore has been increased to 30 % to discourage exports of such primary raw material and encourage value addition of natural resources within the country. This has been an encouraging step and should enhance capacity addition for Iron Ore Sinter and Pellet Plants within the Country to meet the supply constraints in Iron Ore.



There is a huge growth potential in Steel consumption in India given that per capita steel consumption is very low compared to China and the global average. The States of Odisha, Chhattisgarh & Jharkhand which account for majority of the iron ore and coal reserves are most attractive locations for setting up Steel plants.

Vision & Strategy

The Company is focused on its vision to emerge as a low cost and efficient producer of value added steel products with captive coal, mineral resources and power.

Having completed setting up of value addition facilities, the Company is now focused on mining its own Iron Ore, Chrome Ore and Coal in order to improve margins. Since the Company has already qualified all the required criteria, it is confident of securing a captive Iron Ore mining lease in Odisha and Chhattisgarh in the very near future. The Patrapada Coal block wherein the Company has a share of 54 million tonnes is currently under development. The Company has also been granted a Prospecting Licence for a Chrome Ore bearing area in Manipur.

VISA Steel and Baosteel Resources have created a strategic partnership in the Ferro Chrome business through the formation of VISA BAO Limited which is setting up an Integrated Ferro Chrome Complex in Odisha. The project is progressing well and nearing completion. VISA Steel is also planning strategic partnerships in its Special Steel and Coke business to be able to unlock value and grow the business.

Outlook

Our revenues and margins from the Coke, Ferro Chrome and Power businesses shall drive the Company forward inspite of the Iron Ore challenges that is impacting the Special Steel business. It is expected that the Iron Ore constraints shall ease towards the second half of the current financial year.

I would like to place on record my sincere appreciation and thank the entire team of VISA Steel for their relentless commitment inspite of the challenging business environment. I am also grateful to the members of the Board of the Company for their invaluable guidance and contribution. I would also like to express my sincere thanks to all the stakeholders for their confidence and faith and to all the Government, Regulatory Authorities & Banks for their valued support.

Warm Regards,

Vishambhar Saran

MANAGING DIRECTOR'S REVIEW



We have created a world class facility at Kalinganagar in Odisha, which is India's most attractive State for Special Steel, Ferro Chrome and Coke making and accounts for 33 % of total Iron Ore reserves, 28 % of Coal reserves and 97 % of Chrome ore reserves in India. Kalinganagar Industrial Complex is a large Steel hub in India and investment destination with excellent Road, Railway and Port connectivity.

However, the financial year 2011-12 was a challenging year at VISA Steel due to various external factors. During the year under review, the Company's financial performance has been adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange. Due to shortage in availability of iron ore, Iron & Steel making facilities, i.e. Blast Furnace, DRI, SMS & Rolling Mill operated at very low production level and the Company was unable to achieve its revenue potential.

Special Steel business

During the year, Steel production was 45,772 MT, Hot Metal production was 84,454 MT compared to 46,233 MT in 2010-11 and Sponge Iron production was 157,356 MT compared to 134,538 MT in 2010-11.

VISA Steel has set up fully integrated 0.5 million TPA Special Steel Plant with Blast Furnace, Sponge Iron Plant, Steel Melting Shop (EAF, LRF & VD) & Rolling Mill (Bar & Wire Rod Mill) for supply to the automobile, construction, infrastructure, engineering, railway and defence sectors.

Due to the sharp drop in availability of Iron Ore and the consequent increase in prices, the Special Steel business has been adversely impacted. The Company is on the verge of getting Iron Ore Mines in Odisha. The Iron Ore availability is also likely to improve from OMC's Daitari Mines after getting forest clearance for Baliparvat Stockyard and the start up of the Iron Ore Pellet Plant being set up by Brahmani River Pellets Limited (BRPL) at Kalinganagar. VISA Steel also plans to set up an Iron Ore Sinter Plant to ensure continuous availability of Iron Ore for smooth running of the Blast Furnace and enhance the profitability of the Special Steel business.

Ferro Chrome business

The Ferro Chrome production during the year was 22,368 MT compared to 44,372 MT in 2010-11. The drop in production of Ferro Chrome has been due to non availability and high prices of Chrome Ore from Orissa Mining Corporation (OMC). The matter has been taken up with the Government of Odisha and OMC and it is expected that OMC shall change its price fixing policy for Chrome Ore. This should ensure availability of Chrome Ore at reasonable prices going forward.

The demand for Ferro Chrome has been strong due to supply constraints in South Africa because of inadequate availability of Power. The Company has also been allotted a prospecting licence over a Chrome Ore area in Manipur.

A 100,000 TPA Ferro Chrome Plant is being implemented through VISA BAO, a Joint Venture with Baosteel Resources, China. The project is nearing completion and would make VISA among the leading player in the Ferro Chrome industry.



Coke business

The Coke production during 2011-12 was 354,634 MT compared to 340,339 MT during the previous year.

The Coking Coal prices have been weakening over the year and the Company has been procuring Coking Coal with monthly pricing which has been beneficial. The Company is a leading supplier of consistent and high quality Coke to various Iron and Steel plants in Eastern India. Demand for Coke has been strong as SAIL has emerged as a large buyer.

Captive Power business

During the year, Power generation has witnessed a strong growth to 435 million units compared to 226 million units in 2010-11.

Due to rising power tariffs, the captive Power Plant has contributed significantly to margins. The Company is expediting development of the Coal Block at Patrapada in Talcher, Odisha and eventually plans to add captive Power generation along with the commencement of production from the Coal block.

Finance

The Company is focussing on consolidating its operations and improving operational efficiencies and reduction in cost. In view of the losses suffered by the Company and the consequent impact on cash flows and ability to service loan repayments, we have also approached our lenders for restructuring our loans. The Company also plans to raise equity through financial investors or strategic partnerships in various businesses.

Human Resource Initiative

The Company has implemented an ESOP Scheme and is among the few companies in the Steel Sector to offer such a Scheme. We are focused on training and development of our employees. We also have a transparent performance appraisal system for increments and promotions. We

improve our team building and encourage family bonding through our annual social activities calendar.

Corporate Social Responsibility

We acknowledge the roles and responsibilities of a corporate citizen. In line with our core business philosophy, concern for Health, Safety and Environment continue to be one of our key priorities. We have installed better safety devices at critical locations under proper supervisions in order to achieve high safety standards. We continue to direct our community development initiatives in the states of Odisha and Chhattisgarh in the areas of education, healthcare, rural development, sports and culture.

I would like to take this opportunity to express my sincere gratitude to our team for their commitment, dedication and hard work, in a challenging business environment.

Warm Regards,

Vishal Agarwal

PROFILE OF THE BOARD OF DIRECTORS



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1

Vishambhar Saran,
Chairman

Mr. Saran has experience of almost 43 years in the iron & steel industry, with over 25 years with Tata Steel in the areas of development & operations of mines, mineral beneficiation plants and ferro alloy plants, port operations and international trading of raw materials for the iron & steel industry.

A mining engineer from BHU, he rose to the level of Director (Raw Materials) in Tata Steel before taking over as Chairman of the VISA Group in 1994. In a short span of time, he built the VISA Group into a minerals and metals conglomerate with a strong global presence in Australia, China, India, Indonesia, Singapore, South Africa and Switzerland. He is the Honorary Consul of Bulgaria for Eastern India.

2

Maya Shanker Verma,
Chairman, Finance & Banking Committee

Mr. Verma is a career banker with a multilevel and wide ranging experience of over 51 years, encompassing an understanding of the commercial, developmental and investment banking as well as asset management and capital market operations.

A Master of Arts and Certified Associate of the Indian Institute of Bankers, Mr. Verma held senior-most and critical positions in India's financial system and regulatory regimes like Chairman, State Bank of India, IDBI Bank and Telecom Regulatory Authority of India.

3

Shiv Dayal Kapoor,
Chairman, Audit Committee

Mr. Kapoor has over 43 years of rich experience in the minerals and metals industry. He is the former Chairman of MMTC Limited and Neelachal Ispat Nigam Ltd. and had been on the Board of many renowned Public Sector Enterprises.

A B.Sc. in Metallurgical Engineering from BHU and an MBA from the University of Leeds, UK, he is a recipient of the Best Chief Executive Gold Award – Rajiv Ratna National Award 2005 and Top CEO of the year Award 2000 – Indian Institute of Marketing & Management, amongst others.

4

Debi Prasad Bagchi,
Chairman, Selection Committee

Mr. Bagchi brings to the Board his deep knowledge of the administrative services and the State of Odisha, especially in the steel & mining sector. He has held prestigious positions of authority like Additional Secretary, Commerce – Government of India; Secretary, Ministry of Small Scale Industry – Government of India; Chief Secretary – Government of Odisha, etc.

A Master of Arts in Economics and an M. Phil in Public Administration, Mr. Bagchi was also the Chairman cum Managing Director of Orissa Lift Irrigation Corporation and Managing Director of Orissa Mining Corporation Limited.



5

5
Pradip Kumar Khaitan,
Chairman, Remuneration Committee

Mr. Khaitan is a legal luminary and has extensive experience in the fields of commercial & corporate laws, tax laws, arbitration, foreign collaborations, mergers & acquisitions and corporate restructuring.

Mr. Khaitan is a Bachelor of Commerce, an LLB and an Attorney-at-Law (Bells Chamber, Gold Medalist). He is the Senior Partner of Khaitan & Co., a leading Indian law firm and also member of the Bar Council of India, the Bar Council of West Bengal and the Indian Council of Arbitration.

6
Shanti Narain,
Chairman, Share Transfer & Investor Grievance Committee

Mr. Narain brings with him his expertise in strategic management transport systems, especially the Railways, in the areas of planning, marketing, monitoring and control of operations & commercial activities and development of transport infrastructure.

He holds a Masters degree in Science (Mathematics) and had been the Member, (Traffic) Railway Board for 4 years till February 2001. He is a member of several committees set up by the Government of India and professional societies.

7
Subrato Trivedi,
Director

Mr. Trivedi, brings with him 41 years of rich experience in the areas of identification of green field projects, finalisation of power purchase agreements / fuel supply agreements, project construction & erection, management, operation & maintenance of thermal power projects.

Mr. Trivedi is a Mechanical Engineer from the Government Engineering College, Bilaspur, Ravi Shankar University. He started his career with companies like SAIL & BHEL and thereafter has held the position of Regional Executive Director, NTPC Limited and President, Projects, Adani Power Limited. Mr. Trivedi is also serving as a Whole-time Director in VISA Power Limited and is responsible for project construction and overall management of the project of the Company.



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8
Vishal Agarwal,
Managing Director

Mr. Agarwal has over 15 years experience in the iron & steel industry with hands on experience of setting up Greenfield projects, having successfully established the plants at Golagaon and Kalinganagar. He is responsible for overall management of operations and projects and is the driving force behind many of the Company's strategy, finance, marketing and human resource initiatives.

He holds a Bachelors degree in Economics from the London School of Economics and a Masters degree in Economics for Development from Oxford University. He is a Committee Member of the CII - Eastern Region Council and Indian Chamber of Commerce.

9
Prabir Ramendralal Bose,
Deputy Managing Director

Mr. Bose is a Bachelor in Science (Chemical Engineering) from Regional Engineering College, Rourkela. He has 35 years of rich experience in steel industry with previous assignments at Rourkela Steel Plant, SAIL and Southern Iron & Steel Company Limited, in Coke Oven operations and construction of heat recovery type stamp-charged Coke Oven battery, amongst others.

Mr. Bose has been associated with the Company since October 2007 and is presently responsible for the entire operations and projects at the Kalinganagar Plant and Golagaon plant in Odisha. Mr. Bose has also been appointed as the Managing Director of VISA BAO Limited, subsidiary company with effect from 1 April 2012.



9

CORPORATE SOCIAL RESPONSIBILITY



VISA Steel has always believed in creation of wealth for all its stakeholders. As a responsible corporate, VISA Steel is focused on the happiness of people living in its larger neighbouring communities.

We are also committed to the best industry standards in Health, Safety and Environment. The best safety equipment has been deployed at the critical locations and constant supervision is also done to maintain the highest safety standards.

VISA Steel's CSR team works towards improving the living conditions of the underprivileged and makes a positive difference in their lives. A number of focused initiatives have been implemented particularly in the remote areas of Odisha and Chhattisgarh. Over the years, VISA Steel has directed its community development in the areas of education, healthcare, rural development, sports & culture and safety & environment.

Education

At VISA Steel, we truly believe in igniting young minds and in shaping the future of young India. In our endeavours to further the cause of education we have taken the following steps:

- Established two premier educational institutions in Kolkata - The Heritage School and The Heritage Institute of Technology, through the Kalyan Bharti Trust.
- Introduced scholarship opportunities for brilliant and needy students.
- Offered scholarships to needy girl students at the Smt. Sarala Devi Saraswati Balika Inter College in the Tilhar district of Shahjahanpur, Uttar Pradesh.
- Provided facilities such as laboratories and science labs to enhance computer literacy at the Smt. Sarala Devi Saraswati Balika Inter College in the Tilhar district of Shahjahanpur, Uttar Pradesh.
- Planning to set up world-class, professionally managed primary and secondary schools in Bhubaneswar and Raipur, with facilities for extracurricular activities and sports.



Healthcare

Healthcare has been identified as a primary objective in the community development programmes. The following healthcare initiatives are undertaken on a regular basis:

- Medical camps in the backward areas of Odisha and Chhattisgarh.
- Contributed to the construction of a blood bank in Jajpur, Odisha.
- Engaged in raising awareness on treatment of common diseases and hygiene and providing free medicines and medical facilities.

Rural Development

- Installed bore-wells for providing clean drinking water in the backward areas.
- Provided employment according to the rehabilitation policy of the Government.
- Contributed towards renovation of the Biraja temple in Jajpur, Odisha.
- Participated in international forums for mentally and physically challenged persons by way of financial sponsorship.

Sports & Culture

- Sponsored and organised an annual ladies golf tournament at the Tollygunge Club in Kolkata.
- Actively helped in promoting contemporary Indian art through exhibitions.
- Organised painting competitions to promote talented young artists.
- Sponsored sporting activities, particularly cricket tournaments in Kotmar and Patrapalli Villages in Chhattisgarh.

Safety & Environment

- Strong team of medical personnel.
- Implements regular safety training sessions for employees and contract labour.
- Posters displaying the incorporation of safety measures.
- Launched water harvesting initiatives to protect ground water levels.
- Introduced plantation drive to improve greenery in industrial region.



Report of the Directors

Dear Shareholders,

Your Directors are pleased to present this Sixteenth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2012.

FINANCIAL RESULTS

(Rs. Million)

| Particulars | 2011-12 | 2010-11 |
|--|------------|-----------|
| Net Revenue | 13,659.05 | 13,236.39 |
| Other Income | 259.91 | 230.06 |
| Total Income | 13,918.96 | 13,466.45 |
| Profit before interest, depreciation & tax | 1,060.62 | 2,376.09 |
| Finance Cost | 1,896.68 | 1,029.49 |
| Depreciation | 511.52 | 482.05 |
| Profit / (Loss) before Exceptional Item and Taxation | (1,347.58) | 864.55 |
| Exceptional Item | (617.27) | - |
| Profit / (Loss) before Taxation | (1,964.85) | 864.55 |
| Taxation - Current | - | 182.61 |
| - MAT Credit Entitlement | (179.30) | (127.74) |
| - Deferred | (597.01) | 295.91 |
| Profit / (Loss) after Tax | (1,188.54) | 513.77 |
| Appropriation - Proposed Dividend | - | 110.00 |
| - Corporate Tax on Dividend | - | 17.84 |
| Balance Carried to Balance Sheet | (492.51) | 696.03 |

OPERATIONS

The Company is engaged in the business of manufacturing value added products including LAM Coke, High Carbon Ferro Chrome, Pig Iron, Sponge Iron and Special Steel Billets / Blooms, Bars & Wire Rods. In addition, the Company generates Power mainly for captive use. During the year under review, the Company's financial performance has been adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange. Due to shortage in availability of iron ore, Iron & Steel making facilities, i.e. Blast Furnace, DRI, SMS & Rolling Mill operated at very low production level and the Company was unable to achieve its revenue potential.

The Company has registered a revenue growth of 3% to Rs.13,918.96 million in the FY'2011-12 compared to Rs.13,466.45 million during the FY'2010-11. The operating margins decreased to 8% at Rs.1,060.62 million in the FY'2011-12 versus 18% at Rs.2,376.09 million in the previous year. The PBT fell from Rs.864.55 million for the FY'2010-11 to a loss of Rs.1,964.85 million. PAT fell from Rs.513.77 million during the previous financial year to a loss of Rs.1,188.54 million during the FY'2011-12.

During the year under review, the Company's volumes were impacted by the uneconomical prices of Iron Ore & Chrome Ore. The production of Coke was 354,634 MT compared to 340,339 MT in the previous year. The production of High Carbon Ferro Chrome was lower at 22,368 MT compared to 44,372 MT during the previous year. The production of Pig Iron was 84,454 MT compared to 46,233 MT in the previous year. The production of Sponge Iron was 157,356 MT compared to 134,538 MT in the previous year. The captive power generated during the year was 435 million units as against 226 million units in the previous year and Steel production during the year was 45,772 MT.

The Company has decided to set up a 0.5 MTPA Iron Ore Sinter Plant in order to hedge the iron ore procurement as it is currently buying only sized iron ore. This would also ensure continuous smooth running of the Blast Furnace. The Iron Ore Sinter Plant would enhance the profitability of the Blast Furnace and would further reduce the cost of raw material and improve the productivity of the Steel making facilities.

The Company's subsidiary – VISA BAO Limited, is setting up a 100,000 TPA Ferro Chrome Plant with 4 Submerged Arc Furnaces of 16.5 MVA each at Kalinganagar in Odisha. The Company has made significant progress towards implementation of the project and the project is scheduled to be completed in phases during second half of the financial year 2012-13.

A detailed analysis of the Company's operations, project review, risk management, strategic initiatives and financial review & analysis, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented under a separate section titled "Management Discussion & Analysis Report" forming part of the Annual Report.

DIVIDEND

In view of the loss, your Directors regret their inability to declare any dividend for the year.

CORPORATE DEBT RESTRUCTURING

In view of the non-availability and high cost of raw materials reducing EBIDTA margin inspite of which debt and interest was being serviced, additional project cost due to high interest cost, increase in interest cost during construction, high inflation and debt repayment obligations over next two years, your Company proposes to restructure its debt and has approached the Corporate Debt Restructuring Cell for the suitable realignment of its entire debt.

SUBSIDIARIES

The Company has two subsidiaries namely, VISA BAO Limited and Ghotaringa Minerals Limited:

- (i) VISA BAO Limited (VBL) is a Joint Venture between the Company and Baosteel Resources Co. Ltd., China. VBL is setting up a 100,000 TPA Ferro Chrome Plant in Odisha.
- (ii) Ghotaringa Minerals Limited (GML) is a Joint Venture between the Company and Orissa Industries Limited (ORIND) for assisting ORIND for developing a chrome ore deposit and is awaiting various Government approvals.

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable

Accounting Standards. The Ministry of Corporate Affairs, Government of India vide its Circular No. 5/12/2007-CL-III dated 8 February 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the Company, provided certain conditions are fulfilled. The Board of Directors has, in its meeting held on 25 May 2012, decided not to attach the Balance Sheet and other documents of the subsidiary companies with the annual accounts of the Company. Accordingly, annual accounts of the subsidiary companies will be made available to the investors of the aforesaid subsidiaries and the Company as and when they demand. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor at the registered office of the Company and these subsidiaries.

Details of the subsidiaries of the Company as required under Circular No. 5/12/2007-CL-III dated 8 February 2011 are covered in this Annual Report.

DIRECTORS

Mrs. Saroj Agarwal and Mr. Vikas Agarwal, Non-Executive Directors resigned from the directorship with effect from 6 February 2012 and 28 April 2012 respectively. The Board had placed on record its appreciation for the valuable contribution made by them during their tenure.

The tenure of office of Mr. Basudeo Prasad Modi, Deputy Managing Director, in accordance with the terms of his re-appointment, completed on 31 March 2012. Mr. Modi had expressed his desire not to seek re-appointment and had tendered resignation as Director of the Company from close of business hours on 31 March 2012. The Board had placed on record its appreciation of the services rendered by him during his tenure on the Board.

Mr. Prabir Ramendralal Bose has been appointed as an Additional Director with effect from 1 April 2012 in accordance Section 260 of the Companies Act, 1956 (the Act). Mr. Bose holds office only upto the date of the forthcoming Annual General Meeting and a Notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr. Bose's appointment as a Director. The Board also appointed Mr. Bose as the Deputy Managing Director effective the same date. The appointment and remuneration payable to him require the approval of the Members at the ensuing Annual General Meeting and is subject to the approval of the Central Government.

Mr. Subrato Trivedi has been appointed as an Additional Director with effect from 12 May 2012 in accordance with Section 260 of the Companies Act, 1956. Mr. Trivedi holds office only upto the date of the forthcoming Annual General Meeting and a Notice under Section 257 of the Act has been received from a Member signifying his intention to propose Mr. Trivedi's appointment as a Director.

The Members at the last Annual General Meeting held on 26 July 2011, had re-appointed Mr. Vishambhar Saran, as Whole-time Director designated as Chairman for a period of 3 years with effect from 15 December 2010, re-appointed Mr. Basudeo Prasad Modi as Deputy Managing Director for a period of 1 year with effect from 1 April 2011 and re-appointed Mr. Vishal Agarwal as Managing Director for a period of 3 years with effect from 25 June 2011 pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

The Company is seeking permission of the Central Government for the waiver of recovery of remuneration paid/payable to the Whole-time Director, Managing Director and Deputy Managing Director for the financial year 2011-12 which is in excess of the remuneration payable in terms of the provisions of the Act.

The Remuneration Committee and the Board of Directors have approved payment of remuneration as approved by the Members at the last Annual General Meeting as minimum remuneration irrespective of any profit or loss or the profit not being adequate for payment of such remunerations in terms of Section I or II of Part II of Schedule XIII read with Section 198 and 309 of the Companies Act, 1956, in any financial year during the remaining tenure of the re-appointment of Mr. Vishambhar Saran and Mr. Vishal Agarwal with effect from 1 April 2012. This will require the approval of the Members by a Special Resolution, which forms part of the Notice for the forthcoming Annual General Meeting.

In accordance with the Article 157 and 158 of the Articles of Association of the Company, Mr. Shiv Dayal Kapoor and Mr. Debi Prasad Bagchi, Directors, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Brief resume` of the above Directors, nature of their expertise in their specific functional areas, details of directorships in other companies and the chairmanship / membership of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Notice for the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- a. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit / (loss) of the Company for that period;
- c. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the Directors had prepared the annual accounts on a going concern basis.

The Company's internal auditors, M/s. L.B. Jha & Co., Chartered Accountants, have conducted periodic audits to provide reasonable assurance that established policies and procedures are being followed.

CEO / CFO CERTIFICATION

A Certificate from the Managing Director and the Chief Financial Officer, pursuant to Clause 49(V) of the Listing Agreement had been tabled at the Board Meeting held on 25 May 2012 and is also annexed to this Report.

AUDITORS AND AUDITORS' REPORT

The Auditors of the Company, M/s. Lovelock & Lewes, Chartered Accountants, Kolkata, retire at the conclusion of the ensuing Annual General Meeting and have confirmed eligibility and willingness to accept the office of Auditors, if approved.

The Auditors' observation in para 10 of the Annexure to the Auditors' Report that the Company has incurred cash losses as at 31 March, 2012 is self explanatory and does not require any further comments from the Directors.

With respect to Auditors' observation under para 11 of the Annexure to the Auditors' Report, your Directors wish to inform that the delay in repayment of principal of Rs.620.76 million and interest of Rs.387.17 million for the period from 1 April 2011 to 31 March 2012, were due to severe liquidity crisis being faced by the Company on account of continued losses incurred

during the year, further aggravated by the delay in receipt of expected cash flows on time.

As regards utilisation of short term funds for long term purposes as observed in para 17 of the Annexure to the Auditors' Report, your Directors wish to inform that in absence of any arrangement of long term funds to finance the cash losses, additions to the Fixed Assets and repayment of long term loans, the available working funds got depleted resulting in use of short term funds for long term purposes.

COST AUDITORS

During the year under review, the Board appointed M/s. DGM & Associates, Cost Accountants, to conduct cost audit of the Company. The Cost Audit Report for the year ended 31 March 2012 is due on 30 September 2012 and shall be submitted within the due time period.

Subject to the approval of the Central Government, the Company has re-appointed M/s. DGM & Associates to audit the cost accounts relating to the products of the Company for the financial year 2012-13.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgo is given in Annexure I forming part of this Report.

HUMAN RESOURCES

The Company places significant emphasis on recruitment, training & development of human resources, which assumes utmost significance in achievement of corporate objectives. The Company integrates employee growth with organisational growth in a seamless manner through empowerment and by offering a challenging workplace aimed towards realisation of organisational goals. To this effect, your Company has a training centre at its Plant for knowledge-sharing and imparting need based training to its employees. The Company also has in place a Performance Management System in SAP for performance appraisal of the employees. To ensure accommodation, hospitality and other facilities for its employees, the Company has set up a modern guest house at Kalinganagar.

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars

of Employees) Rules, 1975, as amended, and the Companies (Particulars of Employees) Amendment Rules, 2011 are set out in Annexure II to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 read with Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining a copy of the statement may write to the Company.

EMPLOYEES STOCK OPTION

The Company has a ESOP Scheme in place titled Employee Stock Option Scheme 2010 (ESOP Scheme 2010), for permanent employees including any Director, whether whole-time or otherwise, of the Company, its subsidiaries and the Holding Company to be administered by the Remuneration Committee of the Board of Directors of your Company. ESOP Scheme 2010 will provide an incentive to attract, retain and reward the employees and enable them to participate in future growth and financial success of the Company. Each option confers a right upon the employee to apply for one equity share of the Company.

During the year under report, 197,344 Stock Options have vested with the specified employees of the Company and its subsidiary, VISA BAO Limited under the ESOP Scheme 2010 and 126,875 Stock Options have lapsed till 31 March 2012. As on 31 March 2012, none of the Options have been exercised.

The Company has received a certificate from the Auditors of the Company that the ESOP Scheme 2010 was implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolution passed at the Annual General Meeting held on 17 August 2010. The Certificate would be placed at the forthcoming Annual General Meeting for inspection by the Members.

As required by Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 information with respect to active Stock Options as on 31 March 2012 is given in a separate statement as Annexure III forming part of this Report.

FIXED DEPOSITS

The Company has not accepted or renewed any fixed deposits under Section 58A of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS

In terms of Clause 32 of the Listing Agreement with Stock Exchanges, Consolidated Financial Statements, conforming to

Accounting Standard 21 issued by the Institute of Chartered Accountants of India, are attached as a part of the Annual Report.

CORPORATE GOVERNANCE

The Company is committed in maintaining the highest standards of Corporate Governance and adheres to the stipulations prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on Corporate Governance & Shareholder Information together with the Auditors' Certificate thereon is annexed as part of the Annual Report.

The Company had also adopted a "Code of Conduct" for its Directors and Senior Management, as required under Clause 49 of the Listing Agreement and all Directors and Senior Managers have affirmed compliance with the Code for 2011-12. A certificate, signed by the Managing Director, affirming compliance of Directors & Senior Management, forms part of the Report on Corporate Governance.

ACKNOWLEDGEMENT

Your Directors record their sincere appreciation for the assistance, support and guidance provided by banks, financial institutions, customers, suppliers, regulatory & government authorities, project & other business associates and stakeholders. The Directors also commend the continuing commitment and dedication of the employees at all levels which has been critical for the Company's growth. The Directors look forward to their continued support in future.

Your Directors value your involvement as shareholders and look forward to your continuing support.

For and on behalf of the Board



Vishal Agarwal
Managing Director



Prabir Ramendralal Bose
Deputy Managing Director

Kolkata
25 May 2012

ANNEXURE I TO THE REPORT OF THE DIRECTORS

Statement of particulars required under the Companies
(Disclosure of Particulars in the Report of the Board of Directors)
Rules, 1988

A. Conservation of Energy

(a) Energy Conservation Measures Taken:

1. Reduction in power consumption by using Auto interlock switch in door AL drop of MCC & Drive Panel Rooms at Sponge Iron Plant.
2. Installation of VVVF drives in Lobe compressor of Kiln-2 of Sponge Iron Plant.
3. Water sprinkling system has been introduced in Quenching car to reduce the burning loss at Coke Oven.
4. CFBC of 160t/hr capacity boiler has been commissioned for utilising the waste char & coal fines generated from Sponge Iron Plant.
5. Reduction in air ingress in flue gas at Coke Oven resulting in higher steam temperature and lower specific consumption of steam per unit power generation.
6. Door Interlock Switch installation in DRI MCC room which reduces the power consumption.

7. Manganese ore consumption in Blast Furnace has been stopped & use of magnesite in Ferro Chrome Plant has been stopped.

8. Zero discharge of waste water.

(b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:

1. Coke pusher car track is being repaired for smooth operation of Coke Oven Plant.
2. Coke pusher no. 2 will be renovated to improve machine availability.
3. Additional magnetic separator is being installed in Sponge Iron Plant to recover magnetic particles going into oversize.

(c) Impact of Measures in (a) and (b) above have resulted in:

1. Saving in electrical energy and higher power generation.
2. Effective utilisation of waste heats.
3. Effective utilisation of solid waste like char and coal fines.

(d) Total Energy Consumption and Energy Consumption per Unit of Production (as per Form "A" below)

FORM A

| | 2011-12 | 2010-11 |
|---|-------------|-------------|
| A. Power & Fuel Consumption | | |
| 1. Electricity | | |
| (a) Purchased | | |
| Unit (Kwh) | 2,192,260 | 19,306,510 |
| Total Amount - (Rs. Million) | 37.50 | 90.25 |
| Rate / unit - (Rs.) | 17.11 | 4.67 |
| (b) Own Generation | | |
| (i) Through Diesel Generator | | |
| Unit (Kwh) | 4,495 | 2,816 |
| Units per ltr. of diesel oil (Kwh) | 0.87 | 2.82 |
| Cost / unit - (Rs.) | 37.80 | 14.00 |
| (ii) Through Steam Turbine / Generator | | |
| Unit (Kwh) | 434,735,200 | 225,961,000 |
| Units per ltr. of fuel oil / gas | NIL | NIL |
| Cost / unit - (Rs.) | NA | NA |
| 2. Coal (Coking and non-coking coal at Coke Oven, Ferro Chrome & DRI) | | |
| Quantity (MT) | 812,292 | 695,187 |
| Total Cost - (Rs. Million) | 7,701.40 | 4,928.77 |
| Average Rate - (Rs.) | 9,481.07 | 7,089.85 |
| 3. Furnace Oil | | |
| Quantity (k. ltrs.) | NIL | NIL |
| Total Amount - (Rs. Million) | NIL | NIL |
| Average Rate | NIL | NIL |

| | | 2011-12 | 2010-11 |
|---|------|-----------|-----------|
| 4. Coke | | | |
| Quantity (MT) | | 72,216 | 56,554 |
| Total Cost - (Rs. Million) | | 1,584.06 | 903.51 |
| Rate / Tonne – (Rs.) | | 21,935.03 | 15,976.06 |
| B. Consumption per unit of production | | | |
| Products (with details) | | | |
| 1. Production of Pig Iron including by-products | MT | 84,454 | 46,233 |
| Electricity | Kwh | 191.03 | 187.61 |
| Furnace Oil | Ltr. | NIL | NIL |
| Coal | Kg. | NIL | NIL |
| Coke | Kg. | 712.63 | 754.93 |
| 2. Production of Coke including by-products | MT | 296,832* | 284,463* |
| Electricity | Kwh | 13.41 | 12.45 |
| Furnace Oil | Ltr. | NIL | NIL |
| Coal (Hard, Semi Hard & Semi Soft Coking Coal) | Kg. | 1,471.28 | 1,428.10 |
| 3. Production of Ferro Chrome including by-products | MT | 22,368 | 44,372 |
| Electricity | Kwh | 4,086.80 | 3,592.23 |
| Furnace Oil | Ltr. | NIL | NIL |
| Coke | Kg. | 400.52 | 487.94 |
| Coal | Kg. | 138.52 | 9.58 |
| 4. Production of Sponge Iron including by-products | MT | 157,356 | 134,538 |
| Electricity | Kwh | 99.58 | 132.54 |
| Furnace Oil | Ltr. | NIL | NIL |
| Coal | Kg. | 1,665.00 | 2,145.00 |

(*) Does not include production of coke on account of conversion: 57,802 MT (2011:55,876 MT)

FORM B

Form for disclosure of particulars with respect to absorption.

B. Technology Absorption

Research & Development (R&D)

1. Specific areas in which R&D was carried out by the Company:
 - (a) Modification of old Pusher car has been done by Coke Oven maintenance team.
 - (b) Waste water from switch Power Plant yard, which was being drained earlier, is now being utilised in MRP & Ferro Chrome road area with a pipeline for dust suppression.
 - (c) DSDF System (Dust Suppression Dry Fog System) has been developed & installed in belt conveyors at a nominal cost which utilises the waste water.
 - (d) Development and installation of Dust Suppression System in Sponge Iron Plants silo-3 at a low cost to arrest the dust emission.
 - (e) Introduction of FRP bend in De-dusting duct line instead of metallic bend to increase the life of duct bends and to reduce the cost.
 - (f) In-house development of Lifting Device for Shell Air fan and reduction of breakdown period from 4 hours to 0.5 hours at Sponge Iron Plant.
 - (g) Coal throw Pipe Shaping Device has been developed to reuse bend Coal throw pipe in Sponge Iron Plant.
 - (h) Segregation of Coke Breeze into fine and coarse size in Coke Oven Plant. Fine part is used to replace 50% of CPC in SMS and coarse is replacing 30% of nut coke in Ferro Chrome Plant.
 - (i) Implementation of oxygen blowing practice at EAF reducing power & electrode consumption.

2. Benefits derived as a result of the above R&D:
 - (a) Enhances the availability of pushing unit at Coke Oven.
 - (b) Waste utilisation and pollution control.
 - (c) Reduction of breakdown period in Sponge Iron Plant.
 - (d) Reduction in cost of Sponge Iron due to technology upgradation.
 - (e) Reduction in the cost of Sponge Iron due to increased recovery.
 - (f) Reduction in power consumption due to VVVF technology.
 - (g) Consistency in operations due to controlled and calibrated feed of raw materials, resulting in increased campaign life.
 - (h) Reduction in power and electrode consumption due to implementation of oxygen blowing practice at EAF.
3. Future plan of action:
 - (a) Use of BF Gas in Rolling Mill Re-Heating Furnace.
 - (b) Installation of Sinter Plant for effective use of Blast Furnace wastes, Iron ore fines & Coke breeze.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a. Imported technology

| 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---------|---------|-------------------|---------|
| Electrode handling technology for Ferro Chrome Plant. | 0.5 MTPA Steel Melting Technology consisting of EAF, LRF etc. 0.5 MTPA Bar & Wire Rod Mill Technology. | NIL | NIL | 300 TPD Lime Kiln | NIL |

- b. Year of Import : as given above
- c. Has technology been fully absorbed:
Electrode handling technology for Ferro Chrome Plant, SMS and Rolling Mill technologies has been fully absorbed.
- d. If not fully absorbed, areas where this has not taken place, reasons there for and future plan of action :
Lime Kiln technology is under initial stage.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

- a) Activities relating to exports; initiatives taken to increase exports; development of new products and services; and export plans:
The Company realises the importance of a long term presence in the global market and has taken initiative to increase exports. The sales from exports is Rs.808.82 million. Your Company exports to various customers in China, Japan and Korea.
- b) Total Foreign Exchange used and earned:

| (Rs. Million) | | |
|----------------------------------|----------|----------|
| Particulars | 2011-12 | 2010-11 |
| Foreign Exchange Earnings | | |
| Export Sales | 808.82 | 2,194.52 |
| Foreign Exchange Outgo | | |
| Imports | | |
| ● Raw Materials | 3,632.74 | 3,747.43 |
| ● Finished Goods | 1,336.37 | 1,839.25 |
| ● Capital Goods | 147.11 | 2,000.58 |
| Traveling | 5.30 | 6.71 |
| Interest | 85.66 | 61.36 |
| Others | 7.78 | 1.16 |

Annexure III**Annexure to the Directors' Report to the Shareholders Employee Stock Option Scheme**

Statement as at 31 March 2012, pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended:

| Sl. No. | Particulars | Employee Stock Option Scheme 2010 | | | | | | | | | | | | | |
|---|---|---|--|------------------------------------|----------------------|---|------|--|------|------------------------------------|---------------------|---|------|--|-----|
| (a) | Options granted | Options granted in the Financial Year 2011-12 - NIL. Options granted in the Financial Year 2010-11 - Grant A: 900,000. | | | | | | | | | | | | | |
| (b) | The pricing formula | The options are granted at an exercise price equal to prevailing Market Price per Equity Share, being latest available closing price, prior to the date of the meeting of the Remuneration Committee, in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered. | | | | | | | | | | | | | |
| (c) | Options vested | 197,344 | | | | | | | | | | | | | |
| (d) | Options exercised | NIL | | | | | | | | | | | | | |
| (e) | The total number of Equity Shares arising as a result of exercise of option | Not applicable | | | | | | | | | | | | | |
| (f) | Options lapsed | 126,875 | | | | | | | | | | | | | |
| (g) | Variation of terms of options | Not applicable | | | | | | | | | | | | | |
| (h) | Money realised by exercise of options during the year (Rs.) | NIL | | | | | | | | | | | | | |
| (i) | Total number of options in force | 773,125 | | | | | | | | | | | | | |
| (j) | Employee wise details of options granted to: | | | | | | | | | | | | | | |
| | (i) Senior Managerial personnel during the year: | NIL | | | | | | | | | | | | | |
| | (ii) any other employee who received a grant in any one year of option amounting to 5% or more of options granted during that year: | NIL | | | | | | | | | | | | | |
| | (iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: | NIL | | | | | | | | | | | | | |
| (k) | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' | Rs.(10.80) | | | | | | | | | | | | | |
| (l) | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed | If the Company had followed fair value method for accounting the stock options, compensation cost would have been higher by Rs.7.10 million for Financial Year 2011-12. Consequently Net Loss for Financial Year 2011-12 would have been higher by Rs.7.10 million and accordingly earnings per share would be Rs.(10.87). | | | | | | | | | | | | | |
| (m) | Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock | Weighted average exercise price of Options whose: <table><tr><td>Exercise price equals market price</td><td>Rs.46.30 per option.</td></tr><tr><td>Exercise price is greater than market price</td><td>N.A.</td></tr><tr><td>Exercise price is less than market price</td><td>N.A.</td></tr></table> Weighted average fair value of Options whose: <table><tr><td>Exercise price equals market price</td><td>Rs.19.56 per option</td></tr><tr><td>Exercise price is greater than market price</td><td>N.A.</td></tr><tr><td>Exercise price is less than market price</td><td>N.A</td></tr></table> | | Exercise price equals market price | Rs.46.30 per option. | Exercise price is greater than market price | N.A. | Exercise price is less than market price | N.A. | Exercise price equals market price | Rs.19.56 per option | Exercise price is greater than market price | N.A. | Exercise price is less than market price | N.A |
| Exercise price equals market price | Rs.46.30 per option. | | | | | | | | | | | | | | |
| Exercise price is greater than market price | N.A. | | | | | | | | | | | | | | |
| Exercise price is less than market price | N.A. | | | | | | | | | | | | | | |
| Exercise price equals market price | Rs.19.56 per option | | | | | | | | | | | | | | |
| Exercise price is greater than market price | N.A. | | | | | | | | | | | | | | |
| Exercise price is less than market price | N.A | | | | | | | | | | | | | | |
| (n) | A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: | Black Scholes Options Pricing Model | | | | | | | | | | | | | |
| | (i) risk-free interest rate, | 7.93% | | | | | | | | | | | | | |
| | (ii) expected life, | 4 years | | | | | | | | | | | | | |
| | (iii) expected volatility, | 55.29% | | | | | | | | | | | | | |
| | (iv) expected dividends, and | 2.77% | | | | | | | | | | | | | |
| | (v) the price of the underlying share in market at the time of option grant | Rs.46.30 per share | | | | | | | | | | | | | |
| | | Based on the above assumptions, the Fair Value per option is Rs.19.56. | | | | | | | | | | | | | |

The Company has received a Certificate from the Auditors of the Company that the Scheme has been implemented in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolution passed by the Members on 17 August 2010.

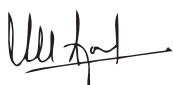
CEO / CFO CERTIFICATION TO THE BOARD

The Board of Directors
VISA Steel Limited
Kolkata 700 027

25 May 2012

Pursuant to the provisions of Clause 49(V) of the Listing Agreement, we, Vishal Agarwal, Managing Director and Manoj Kumar Digga, Chief Financial Officer hereby certify that:

- (a) we have reviewed financial statements and the cash flow statement for the year 2011-12 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and there have been no deficiencies in the design or operation of such internal controls.
- (d) we have indicated to the auditors and the Audit Committee that:
 - (i) there have been no significant changes in internal control over financial reporting during the year;
 - (ii) there have been no significant changes in accounting policies during the year; and
 - (iii) there have been no instances of significant fraud of which we have become aware.



Vishal Agarwal
Managing Director



Manoj Kumar Digga
Chief Financial Officer



Management Discussion and Analysis

OVERVIEW

During the financial year 2011-12, the Company's performance has been adversely affected due to non-availability of raw material, increasing raw material cost, high interest rates and volatile foreign exchange. During the financial year 2011-12, your Company registered a 3 % growth in revenues to Rs.13,918.96 million, but a 55 % drop in EBITDA to Rs.1,060.62 million. PAT fell from Rs.513.77 million during the previous financial year to a loss of Rs.1,188.54 million during the financial year 2011-12.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Steel Industry Overview

The global economy is witnessing another period of uncertainty due to the European Sovereign debt crisis. The increase in inflation in emerging economies has led to a sharp hike in interest rates, which has resulted in slowdown in demand. The global financial uncertainty has also resulted in volatility in exchange rates.

The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw materials and increased volatility in prices has put pressure on margins.

The Steel industry in India has suffered due to non-availability and high prices of Iron Ore which has impacted Steel production. The Iron Ore mining ban in Karnataka and subsequent impact in Iron Ore production in Goa and Odisha has forced many Steel Companies to operate at reduced capacities and even close down operations. It is expected that the raw material constraints shall ease towards second half of FY'2012-13 and mines will gradually get back to normal production.

The Government of India has imposed an export tax of 30 % on export of Iron Ore and Chrome Ore which should discourage exports and encourage value addition within the Country. The removal of 5 % import duty on thermal coal is also a relief for the Sponge Iron based Steel producers.

The Indian economy is expected to grow at 7.6 % in 2012-13 against 6.9 % in 2011-12. The economy is likely to grow significantly over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in sustained growth in demand for various Iron and Steel products.

The States of Odisha, Chhattisgarh and Jharkhand which account for majority of the Iron Ore and Coal

reserves in the Country will remain the most attractive locations for setting up Iron and Steel manufacturing capacity.

The Odisha Government is currently reviewing the renewal of all expired mining leases which are operating under deemed extension, which will offer an opportunity for Steel producers in Odisha. Meanwhile, the draft MMDR Bill is also under discussion.

Company Overview

Your Company's current saleable products include Iron and Steel products such as LAM Coke, High Carbon Ferro Chrome, Pig Iron, Sponge Iron and Special Steel Billets / Blooms, Bars & Wire Rods. In addition, the Company generates power mainly for captive use.

BUSINESS REVIEW

Your Company is engaged in the business of manufacturing value added products including LAM Coke, High Carbon Ferro Chrome, Pig Iron, Sponge Iron and Special Steel Billets / Blooms, Bars & Wire Rods. In addition, the Company generates power mainly for captive use.

The manufacturing facilities of your Company are situated at Kalinganagar which includes Coke Oven, Ferro Chrome, Blast Furnace, Sponge Iron, Power and Special Steel and at Golagaon in Odisha where the Chrome Ore Beneficiation & Chrome Ore Grinding Plants are located.

During the year under review, the Company's financial performance has been adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange. Due to shortage in availability of iron ore, Iron & Steel making facilities, i.e. Blast Furnace, DRI, SMS & Rolling Mill operated at very low production level and the Company was unable to achieve its revenue potential.

Iron & Steel Products

(a) LAM Coke

The Coke Oven Plant, with a total capacity of 400,000 TPA, operates on the stamp-charging technology which allows blending of semi-soft and semi-hard Coking Coals with prime hard Coking Coals to produce Low Ash Metallurgical Coke.

The total coke production during 2011-12 was 354,634 MT compared to 340,339 MT in 2010-

11. Coking coal, the primary raw material for producing coke, was imported from Australia. Coke was partly consumed in the Blast Furnace and partly sold with total sales contribution amounting to Rs.5,659.30 million, equating to 40 % of total revenues.

(b) Ferro Chrome

The Ferro Chrome Plant, with a total capacity of 50,000 TPA produced 22,368 MT of Ferro Chrome in 2011-12 compared to 44,372 MT in 2010-11. The main raw material is Chrome Ore (sourced from OMC, Tata Steel & B. C. Mohanty), Coke and Power. Ferro Chrome is sold to various Special and Stainless Steel Plants in India and globally. The sales contributed 10 % of total revenues during the year amounting to Rs.1,415.88 million.

(c) Pig Iron

The Blast Furnace with a total capacity of 225,000 TPA is currently producing Hot Metal which is poured into moulds to produce Pig Iron. Hot Metal / Pig Iron was partly consumed for making Special Steel and partly sold to various Steel and foundry customers in eastern and northern India.

The total hot metal production during 2011-12 was 84,454 MT as compared to 46,233 MT of hot metal in 2010-11.

Pig iron sales contributed to 13 % of the total revenues of the Company during the year under review, amounting to Rs.1,826.19 million.

(d) Sponge Iron

The Sponge Iron Plant having capacity of 300,000 TPA produced 157,356 MT during 2011-12 of Sponge Iron as against 134,538 MT of Sponge Iron during 2010-11. It has contributed 20 % of the total revenues amounting to Rs.2,890.01 million.

The main raw materials for Sponge Iron Plant are Iron Ore and Thermal Coal. Iron Ore is procured mainly from OMC and JSPL. Thermal Coal is procured from Mahanadi Coalfields Limited and also imported from South Africa.

(e) Power

The Power Plant produced 435 million KWH of power during the year 2011-12 as against 226 million KWH produced during 2010-11. The Power produced was mainly used captively.

(f) Special Steel

The Steel production was 45,772 MT during the year 2011-12.

PROJECT OVERVIEW

The availability and pricing of raw materials mainly Iron Ore has been a major challenge for the Company and has impacted the Special Steel operations. In view of the same, the Company has decided to set up an Iron Ore Sinter Plant in order to hedge the iron ore procurement as it is currently buying only sized iron ore. This would also ensure continuous smooth running of the Blast Furnace and consequently the Special Steel Plant. The Iron Ore Sinter Plant would enhance the profitability of the Blast Furnace and would reduce the cost of raw material and improve the productivity of the Steel making facilities.

STRATEGIC INITIATIVES
Backward Integration

Your Company has also taken necessary steps for securing its raw material requirements and integrating backwards into mining of Iron Ore, Coal and Chrome Ore.

During the year, your Company has been granted a Prospecting License for two Chrome ore mines at the Sincha and the Kalhong Khunou districts in Manipur.

Joint Venture with Baosteel

VISA BAO Limited, a subsidiary of your Company is in the process of setting up a 100,000 TPA Ferro Chrome Plant at Kalinganagar Industrial Complex. The Company has made significant progress towards implementation of the project including equipment ordering, basic and detailed engineering, civil and structural work, equipment erection, etc. The project execution has gained momentum and with a highly qualified team of professionals and reputed contractors for execution of the Project, it is scheduled to complete the Project in phases during second half of the financial year 2012-13.

OPPORTUNITIES & THREATS

Your Company is poised to seize the opportunities in the Iron & Steel Industry (both for steel & intermediary saleable products) through its strengths of locational and logistical advantages, raw material linkages, technology edge and management expertise. These opportunities will be linked directly to the growing demand for special steel from the automobile and auto components, infrastructure, construction and power sectors. With power cuts being imposed on power intensive industries in South Africa, consumers of Ferro Chrome globally are diversifying their Ferro Chrome sourcing base to the other

countries like India due to which the demand for Ferro Chrome has been strong and your Company with a fully operational 50,000 TPA Ferro Chrome Plant is ready to meet such growing demands. Coke, being an import substitute, carries a strong demand and your Company with its fully operational 400,000 TPA Coke Oven Plant with surplus quantity of 250,000 TPA over and above its captive consumption is ready for sale in the market to Integrated Steel Plants.

The threats for your Company would come from adverse fluctuations in input raw material availability and costs, foreign exchange variations, high interest costs and taxes & duties.

RISK MANAGEMENT

Your Company has identified major focus areas for risk management to ensure organisational objectives are achieved and has a well defined structure and proactive approach to assess, monitor and mitigate risks associated with these areas, briefly enumerated below:

- a) Operations – Timely and cost-effective raw material supply is critical to growth. Fluctuations in the price and availability of key raw materials and commercial changes such as domestic duties / taxes on raw materials have an impact on the operations. Moreover, the stocks are also subject to the other foreseeable risks. Necessary coverage has been taken in the form of a comprehensive Industrial All Risk (IAR) policy which covers plant, machinery, buildings (with contents), tools and equipment and stocks (raw materials, stores and spares and finished goods) against fire, allied perils and all other foreseeable risks. The policy also covers loss of profit to the business arising from any accidental event. The Company also has coverage in form of a Sales Turnover policy which provides all-risk transit insurance cover to the finished goods produced and sold by the Company and also covers transit of all the incoming raw materials.
- b) Foreign Exchange – Your Company deals in sizeable amount of foreign exchange in imports of raw materials and exports of finished products. A comprehensive forex policy has been formulated for managing its foreign exchange exposure.
- c) Systems – Your Company has implemented SAP, the leading software for Enterprise Resource Planning, to integrate its operations and to use best business and commercial practices.
- d) Statutory compliances – Procedure is in place for monthly reporting of compliance of statutory obligations and is reported to the Board of Directors at its meetings.



FINANCE REVIEW AND ANALYSIS

Your Company reported revenues of Rs.13,918.96 million, registering a 3 percent increase over FY'2010-11. But the EBIDTA and PAT of the Company were adversely affected due to the non-availability of raw material, increasing raw material costs, high bank interest rates and volatile foreign exchange.

HIGHLIGHTS

(Rs. Million)

| | 2011-12 | 2010-11 | Change | Percent |
|------------------------------------|-------------------|------------------|-------------------|--------------|
| Net Sales / Income from Operations | 13,659.05 | 13,236.39 | 422.66 | 3 |
| Other Income | 259.91 | 230.06 | 29.85 | 13 |
| Total Income | 13,918.96 | 13,466.45 | 452.51 | 3 |
| Expenditure | | | | |
| (Increase) / decrease in stock | (1,410.45) | (745.68) | 664.77 | 89 |
| Raw Materials consumed | 10,381.81 | 8,009.69 | 2,372.12 | 30 |
| Purchase of Stock-in-trade | 2,441.33 | 2,397.26 | 44.07 | 2 |
| Employee Cost | 380.30 | 429.44 | (49.14) | (11) |
| Other expenses | 1,065.35 | 999.65 | 65.70 | 7 |
| Operating Profit | 1,060.62 | 2,376.09 | (1,315.47) | (55) |
| Finance Cost | 1,896.68 | 1,029.49 | 867.19 | 84 |
| Depreciation | 511.52 | 482.05 | 29.47 | 6 |
| Exceptional Item | (617.27) | - | (617.27) | - |
| Profit before Tax | (1,964.85) | 864.55 | (2,829.40) | (327) |
| Tax Expense | (776.31) | 350.78 | (1,127.09) | (321) |
| Profit after tax | (1,188.54) | 513.77 | (1,702.31) | (331) |

Sales & Other Income

Sales growth was primarily driven by Sales volume growth for Pig Iron and Coke and better price realisation for Sponge Iron. Other Income constitutes mainly income from sale of Scrap, Coke conversion, DEPB licence, receipt of insurance claim proceeds, etc.

Raw materials consumed

Raw material consumption value has increased by 30% due to abnormally high prices of Iron Ore, Coking Coal, Chrome Ore and Thermal Coal.

Finance Cost

The finance cost increased significantly during the year due to higher interest rates and increased availment of term loans for projects and working capital facilities for its operations.

Depreciation

Depreciation was stable during the year mainly since there was marginal addition in Fixed Assets.

Exceptional Item

The sharp depreciation of the Rupee and volatility in exchange rates resulted in a forex loss of Rs.617.27 million.



Profit After Tax

PAT was adversely impacted due to the high raw material costs, higher interest costs and forex loss.

Balance Sheet analysis

Fixed Assets

The Gross Block has increased marginally on account of additions in buildings, vehicles and computers etc. The Capital WIP increased due to the Power Plant, Special Steel Plant and infrastructure projects.

Inventories

Inventory of raw materials went up during the year due to higher prices of raw materials. The average inventory turnover reduced to 100 days in 2011-12 as compared to 103 days during 2010-11.

Key Ratios

The summary of Key financial ratios are as under:

| Particulars | 2011-12 | 2010-11 |
|--|---------|---------|
| EBIDTA / Revenue (percent) | 7.62 | 17.64 |
| Profit After Tax / Revenue (percent) | (8.54) | 3.82 |
| EBIDTA / Finance Cost (no. of times) | 0.56 | 2.31 |
| Long term Borrowing / Net worth (no. of times) | 3.93 | 2.42 |
| Return on Average Capital Employed (percent) | 5.51 | 10.94 |
| Book Value per share (Rs./share) | 21.31 | 37.54 |
| Earning per share (Rs./share) | (10.80) | 4.67 |
| Market Capitalisation (Rs. Million) as on 31 March | 6,226 | 4,945 |

Sundry Debtors, Loans & Advances

Sundry debtors increased by 7 % along with 3 % increase in sales, due to increase in credit sales during the year. Your Company's focus on improving collections and stringent credit assessment procedures, helped bring down the average debtors turnover from 16 days to 14 days during the year.

Loans & advances increased marginally on account of advances made to suppliers for raw materials, goods and services.

Cash & Bank Balances

Your Company has deployed its cash accruals in fixed deposits with banks at attractive rates of interest towards margin money for working capital.

Sundry Creditors & Current Liabilities

Sundry Creditors & Current Liabilities has increased due to sharp increase in prices of raw materials coupled with reduced operational inflows.

CORPORATE DEBT RESTRUCTURING

In view of the non-availability and high cost of raw materials reducing EBIDTA margin inspite of which debt and interest was being serviced, additional project cost due to high interest cost, increase in interest cost during construction, high inflation and debt repayment obligations over next two years, your Company proposes to restructure its debt and has approached the Corporate Debt Restructuring Cell for the suitable realignment of its entire debt.

DEVELOPMENTS IN HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your Company recognises the fact that manpower is one of the vital constituents of a successful organisation. The growth of your Company and execution of new projects places emphasis on the recruitment process and your Company has been successful in attracting professional talent. The Learning Centre at Kalinganagar, Odisha continuously trains & develops employees to suit organisational needs.

The total number of employees in your Company, including those inducted as trainees in the Company, as on 31 March 2012 was 1,458.

INTERNAL CONTROL AND SYSTEMS

The internal control systems in your Company commensurates with the size and nature of its operations and periodic audits are conducted in various disciplines to ensure adherence to the same. During the year, M/s. L. B. Jha, Internal Auditors of your Company had independently evaluated the adequacy and efficacy of the audit controls. The direct reporting of the Internal Auditors to the Audit Committee of the Board ensures independence of the audit and compliance functions. The Internal Auditors regularly report to the Audit Committee on their observations on the Company's processes, systems and procedures ascertained during the course of their audit. The Company has also appointed Cost Auditors for the cost audit of its manufactured products and the Cost Auditors shall also report to the Audit Committee on their observations. Concerted efforts towards stabilisation of SAP have also contributed to tightening of control systems. Your Company has been able to adapt adequately to this ERP package and is placed to derive significant benefits from the same. Emphasis is placed on adequacy, reliability and accuracy of dissemination of financial data and information. Compliance issues are given utmost importance and reported regularly to the Board.

Your Company has been accredited with the ISO 9001 certification. It shows commitment to quality, customers, and a willingness to work towards improving efficiency. It has also been accredited with the ISO/TS 16949:2009 certification. The ISO/TS 16949 is obligatory for all steel manufacturers to sell their products to the automotive industry. ISO/TS 16949:2009 has given the Company a global standing as a reputable supplier, improved risk management, ability to win more business and subsequently a wider spectrum of customer base.

OUTLOOK

India has immense potential for creating new steel capacity. Indian per capita steel consumption is presently very low compared to world average which further re-confirms the opportunities for steel demand to continue accelerating in the times ahead. Your Company with a well diversified product portfolio is well poised to take advantage of the growth in the demand for Special Steel products, Coke and Ferro Chrome.

CAUTIONARY STATEMENT

Statements in this "Management Discussion & Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, input availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.



Report on Corporate Governance

CORPORATE GOVERNANCE: OUR PHILOSOPHY

Corporate Governance refers to the structures and processes for direction and control of the companies. It is the process carried out by the Board of Directors and its related committees, on behalf of and for the benefit of the Company's stakeholders, to provide direction, authority and oversight to the management. It also provides the structure through which the objectives of the Company are set and the means of attaining those objectives and monitoring performances are determined.

VISA Steel Limited (the Company) believes that good Corporate Governance practices ensure efficient conduct of the affairs of the Company and also help in maximising value for all its stakeholders. The Company has established systems and procedures to ensure that its Board of Directors is well informed and equipped

to fulfil its overall responsibilities and to provide the management with strategic direction needed to create long-term shareholder value. The Company always endeavours to uphold the principles and practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning, which are vital to achieve its vision of emerging as a low cost and efficient producer of value added steel products with captive coal, mineral resources and power.

COMPLIANCE WITH THE SEBI CODE ON CORPORATE GOVERNANCE

In line with this, we are pleased to inform you that, as on 31 March 2012, the Company is in compliance with all the requirements of Clause 49 of the Listing Agreement. The necessary disclosures as required under Clause 49 of the Listing Agreement have been covered in this Annual Report.



I. BOARD OF DIRECTORS

Composition of the Board

Board / Committee Position as on 31 March 2012

| Name of the Director | Executive / Non-Executive / Independent ¹ | No. of Outside Directorship(s) held | | | Outside Committee positions held ² | |
|--------------------------|--|-------------------------------------|---------|---------|---|--------|
| | | Public | Private | Foreign | Chairman | Member |
| Mr. Vishambhar Saran | Executive Chairman | 8 | - | 1 | - | 1 |
| Mr. Maya Shanker Verma | Non-Executive, Independent | 3 | 3 | - | 2 | - |
| Mr. Shiv Dayal Kapoor | Non-Executive, Independent | 6 | - | - | 2 | 3 |
| Mr. Debi Prasad Bagchi | Non-Executive, Independent | 8 | 1 | - | 1 | 5 |
| Mr. Pradip Kumar Khaitan | Non-Executive, Independent | 14 | - | 1 | 1 | 3 |
| Mr. Shanti Narain | Non-Executive, Independent | 1 | - | - | - | 1 |
| Mr. Vikas Agarwal | Non-Executive | 10 | 4 | - | - | 3 |
| Mr. Vishal Agarwal | Managing Director | 8 | - | - | 3 | 1 |
| Mr. Basudeo Prasad Modi | Deputy Managing Director | 2 | - | - | - | - |

1. Independent director is as defined in Clause 49 of the Listing Agreement.
2. For this purpose, only two Committees, viz., the Audit Committee and the Shareholders' / Investors' Grievance Committee have been considered. This excludes Committee positions in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956.
3. Mrs. Saroj Agarwal, Non-Executive Director, resigned from the Board of Directors of the Company with effect from 6 February 2012.
4. Mr. Basudeo Prasad Modi, Deputy Managing Director, due to retire on 31 March 2012, had resigned as Director of the Company from close of business hours on 31 March 2012.
5. Mr. Prabir Ramendralal Bose has been appointed on the Board of Directors of the Company as an Additional Director and Deputy Managing Director with effect from 1 April 2012.
6. Mr. Vikas Agarwal, Non-Executive Director, resigned from the Board of Directors of the Company with effect from 28 April 2012.
7. Mr. Subrato Trivedi, Non-Executive Director, has been appointed as an Additional Director on the Board with effect from 12 May 2012.

Details of the Board Meeting and Attendance

| Date of the Board Meeting | City | No. of Directors Present |
|---------------------------|-------------|--------------------------|
| 30 May 2011 | Kolkata | 8 |
| 26 July 2011 | Bhubaneswar | 9 |
| 11 November 2011 | Kolkata | 8 |
| 13 February 2012 | Kolkata | 8 |

Details of remuneration paid to Board of Directors

A. Non-Executive Directors

| Name of the Director | Sitting Fees paid ¹ | Total payments paid / payable in 2011-12 | No. of Board Meetings | | Attended Last AGM ² |
|---|--------------------------------|--|-----------------------|----------|--------------------------------|
| | (Rs.) | (Rs.) | Held | Attended | |
| Mr. Maya Shanker Verma | 150,000 | 150,000 | 4 | 3 | No |
| Mr. Shiv Dayal Kapoor | 190,000 | 190,000 | 4 | 4 | Yes |
| Mr. Debi Prasad Bagchi | 140,000 | 140,000 | 4 | 4 | Yes |
| Mr. Pradip Kumar Khaitan | 60,000 | 60,000 | 4 | 2 | Yes |
| Mr. Shanti Narain | 110,000 | 110,000 | 4 | 3 | Yes |
| Mrs. Saroj Agarwal (ceased to be a director w.e.f. 6 February 2012) | 40,000 | 40,000 | 3 | 2 | Yes |
| Mr. Vikas Agarwal (ceased to be a director w.e.f. 28 April 2012) | 160,000 | 160,000 | 4 | 4 | Yes |
| Total | 850,000 | 850,000 | | | |

Note:

- During 2011-12, sitting fees were paid @ Rs.20,000 per Board Meeting and Rs.10,000 per Committee Meeting, i.e. Audit, Share Transfer & Investor Grievance, Finance & Banking and Remuneration Committees.
- Annual General Meeting was held on 26 July 2011.
- No stock options have been granted during the year to any of the above Directors.

B. Executive Directors

| Name of the Director | Relationship with other Directors | Business relationship with the Company, if any | Remuneration paid during 2011-12 | | | |
|-------------------------|-----------------------------------|--|--|--|---|------------------------------|
| | | | All elements of remuneration package, i.e. salary, benefits, bonuses, etc. (Rs.) | Fixed component & performance linked incentives, along with performance criteria | Service contracts, notice period, severance fee | Stock option details, if any |
| Mr. Vishambhar Saran | See Note (a) | Chairman | 20,651,180 | See note (b) | See note (c) | See note (d) |
| Mr. Vishal Agarwal | See Note (a) | Managing Director | 18,256,333 | See note (b) | See note (c) | See note (d) |
| Mr. Basudeo Prasad Modi | See Note (a) | Deputy Managing Director | 6,956,647 | See note (b) | See note (c) | See note (d) |

- (a) Mr. Vishambhar Saran is the father of Mr. Vishal Agarwal. Other than this, none of the other Directors are in any way related to any other Director.
- (b) As per the terms of re-appointment, Mr. Vishambhar Saran, Chairman and Mr. Vishal Agarwal, Managing Director are entitled to performance linked incentive in the form of commission upto 2% of the net profits of the Company u/s 198 of the Companies Act, 1956. The same is not payable for 2011-12 due to losses incurred during the year.

Mr. Basudeo Prasad Modi, Deputy Managing Director is entitled to a Merit Bonus of Rs.1,200,000 p.a. as per the terms of his re-appointment and remuneration, approved by the Members. The Company has internal norms for assessing performance of its Executive Directors which is done by the Board.

Remuneration paid to managerial personnel includes excess remuneration paid to Mr. Vishambhar Saran Rs.16,170,452 and Mr. Vishal Agarwal Rs.14,105,045 for the financial year 2011-12. The excess remuneration paid to Mr. Saran and Mr. Agarwal is subject to the approval of the Central Government.

The Ministry of Corporate Affairs vide circular no. 46/2011 dated 14 July 2011 has brought an amendment in Schedule XIII to the Companies Act, 1956 whereby listed companies and their subsidiary companies having inadequate profit or no profits will not be required to seek Central Government approval for payment of remuneration exceeding Rs.400,000 p.m. to professional managerial persons who has no interest in the capital or any relation with the Directors or Promoters of the Company. During the financial year, remuneration paid to Mr. Basudeo Prasad Modi includes excess remuneration paid Rs.4,167,570 for the financial year 2011-12 which is subject to the approval of the Central Government, more particularly, excess remuneration of Rs.1,084,973 paid during the period 1 April 2011 till 13 July 2011, i.e. during the period prior to issue of the aforesaid Circular.

Pending such approval for the aforesaid excess remuneration paid to the managerial personnels, it is being held by them in trust for the Company.

As the profits are currently deemed inadequate, the Company is in the process of making application to the Central Government seeking approval for payment of remuneration to Mr. Vishambhar Saran, Chairman and Mr. Vishal Agarwal, Managing Director w.e.f. 1 April 2012, as approved by the Remuneration Committee and the Board of Directors.

- (c) Mr. Vishambhar Saran has been re-appointed as Whole-time Director, designated as Chairman for a period of 3 years with effect from 15 December 2010. This appointment may be terminated by either party by giving 1 month's notice in writing and no severance fee is payable.

Mr. Vishal Agarwal has been re-appointed as Managing Director for a period of 3 years with effect from 25 June 2011. The appointment may be terminated by either party by giving 1 month's notice in writing and no severance fee is payable.

Mr. Basudeo Prasad Modi was re-appointed as Deputy Managing Director for a period of 1 year with effect from 1 April 2011. Mr. Modi had expressed his desire not to seek re-appointment as the Deputy Managing Director and had resigned as Director of the Company from close of business hours on 31 March 2012.

- (d) Mr. Vishambhar Saran and Mr. Vishal Agarwal, being the promoters of the Company, are not eligible for grant of Options under the ESOP Scheme 2010 of the Company. Mr. Basudeo Prasad Modi had been granted 50,000 Options on 4 February 2011 of which 12,500 Options vested in him on 13 February 2012. Mr. Modi did not exercise any Options vested in him before he resigned from the Board of Directors of the Company.
- (e) During the financial year 2011-12, 4 meetings of the Board of Directors were held. Mr. Vishambhar Saran, Chairman and Mr. Vishal Agarwal, Managing Director were present in all the 4 Board Meetings. Mr. Basudeo Prasad Modi was present in 3 Board meetings. Mr. Vishambhar Saran, Mr. Vishal Agarwal and Mr. Basudeo Prasad Modi were present at the Annual General Meeting held on 26 July 2011.
- (f) Mr. Prabir Ramendralal Bose has been appointed as the Deputy Managing Director of the Company with effect from 1 April 2012. To ensure compliance with provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, the Company is in the process of making application to Central Government.

The details as required under sub section (c) of Section II of Part II of Schedule XIII are as follows:

| Remuneration payable during 2012-13 | | | |
|--|---|---|------------------------------|
| All elements of remuneration package, i.e. salary, benefits, bonuses, etc. | Fixed component & performance linked incentives, along with performance criteria | Service contracts, notice period, severance fee | Stock option details, if any |
| Rs.7,708,420 | Mr. Bose is entitled to a Performance Bonus of Rs.1,200,000 p.a. as per the terms of his appointment and remuneration, to be approved by the Members. The Company has internal norms for assessing performance of its Executive Directors which is done by the Board. | Mr. Bose has been appointed as Deputy Managing Director for a period of 3 years with effect from 1 April 2012. The appointment may be terminated by either party by giving 1 month's notice in writing and no severance fee is payable. | See note (i) |

(i) Mr Prabir Ramendralal Bose has been granted Stock Options, under the ESOP Scheme 2010 of the Company, details of which are as given below:

| Grant Date | No. of Options granted | Exercise Price per Option | Vesting Details | | Options exercised so far [#] |
|-----------------|------------------------|--|--------------------------------------|------------------------------|---------------------------------------|
| | | | No. of Options vested / to be vested | Actual / Due date of Vesting | |
| 4 February 2011 | 50,000* | Rs.46.30 (Not issued at a discount) | 12,500 | 13 February 2012 | NIL |
| | | | 12,500 | 4 February 2013 | - |
| | | | 12,500 | 4 February 2014 | - |
| | | | 12,500 | 4 February 2015 | - |

* Each option when exercised would be converted into one Equity Share of Rs.10 each fully paid-up.

[#] The options are exercisable within a period of 3 years from the date of vesting.

II. BOARD COMMITTEES

Audit Committee

The Audit Committee comprises of 4 Directors, all Non-Executive Directors, out of which 3 are Independent Directors, details given under as on 31 March 2012:

| | |
|---------------------------------|--------------------------|
| Mr. Shiv Dayal Kapoor, Chairman | - Independent Director |
| Mr. Maya Shanker Verma | - Independent Director |
| Mr. Debi Prasad Bagchi | - Independent Director |
| Mr. Vikas Agarwal | - Non-Executive Director |

All members of the Audit Committee are financially literate and possess requisite accounting or financial management expertise.

The Company Secretary acts as Secretary to the Committee. The powers, role and terms of reference of the Committee are as per Clause 49 of the Listing Agreement and the Committee reviews information as prescribed under Clause 49 at its meetings. The broad terms of reference of the Audit Committee are:

1. Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management the internal control systems, internal audit functions, observations of the auditors, periodical financial statements before submission to the Board.
3. Recommendation of matters relating to financial management and audit reports.
4. The Committee is authorised to investigate into matters contained in the terms of reference or referred / delegated to it by the Board and, for this purpose, has full access to information / records of the Company including seeking external professional support, if necessary.

During the financial year 2011-12, the Committee met four times on 30 May 2011, 25 July 2011, 11 November 2011 and 13 February 2012 and the details of attendance by the Committee members are as given under:

| Name of the Director | No. of meetings | |
|------------------------|-----------------|----------|
| | Held | Attended |
| Mr. Shiv Dayal Kapoor | 4 | 4 |
| Mr. Maya Shanker Verma | 4 | 3 |
| Mr. Debi Prasad Bagchi | 4 | 4 |
| Mr. Vikas Agarwal | 4 | 3 |

Share Transfer and Investor Grievance Committee

The Share Transfer and Investor Grievance Committee comprises of the following Directors as on 31 March 2012:

| | |
|-----------------------------|------------------------|
| Mr. Shanti Narain, Chairman | - Independent Director |
| Mr. Maya Shanker Verma | - Independent Director |
| Mr. Shiv Dayal Kapoor | - Independent Director |
| Mr. Vishal Agarwal | - Managing Director |

The primary function of the Committee is to supervise and ensure efficient transfer of shares, issue of new / duplicate share certificates, dematerialisation & rematerialisation of shares and speedy redressal of investor grievances.

As on 31 March 2012, 100% of the Company's shares are in dematerialised form and the shares are compulsorily traded on the stock exchanges in the dematerialised form.

During the financial year 2011-12, the Committee met four times on 30 May 2011, 25 July 2011, 11 November 2011 and 13 February 2012 and the details of attendance by the Committee members are as given under:

| Name of the Director | No. of meetings | |
|------------------------|-----------------|----------|
| | Held | Attended |
| Mr. Shanti Narain | 4 | 3 |
| Mr. Maya Shanker Verma | 4 | 3 |
| Mr. Shiv Dayal Kapoor | 4 | 4 |
| Mr. Vishal Agarwal | 4 | 4 |

Details of shareholders' complaints are given in the "Shareholder Information" section of the Annual Report.

The Company Secretary is also the Compliance Officer of the Company.

Remuneration Committee

There is a Remuneration Committee in place with roles, powers and duties to be determined by the Board from time to time. The Committee recommends appropriate compensation packages for Directors and Executive Officers to retain best available personnel for key positions and provide performance based incentives. The scope of the Remuneration Committee had been expanded to include powers related to issuance of ESOP / ESPS to employees, implementation and administration of the ESOP Scheme 2010. The Committee comprises of the following Directors as on 31 March 2012:

| | |
|------------------------------------|--------------------------|
| Mr. Pradip Kumar Khaitan, Chairman | - Independent Director |
| Mr. Debi Prasad Bagchi | - Independent Director |
| Mr. Shanti Narain | - Independent Director |
| Mr. Vikas Agarwal | - Non-Executive Director |

Two meeting of the Remuneration Committee were held during the financial year on 11 November 2011 and 13 February 2012 and the details of attendance by the Committee members are as given under:

| Name of the Director | No. of meetings | |
|--------------------------|-----------------|----------|
| | Held | Attended |
| Mr. Pradip Kumar Khaitan | 2 | 1 |
| Mr. Debi Prasad Bagchi | 2 | 2 |
| Mr. Shanti Narain | 2 | 2 |
| Mr. Vikas Agarwal | 2 | 2 |

Finance & Banking Committee

In addition to the above Committees, your Company has a Finance & Banking Committee with powers to approve strategies, plans, policies and actions related to corporate finance. The Committee comprises of the following Directors as on 31 March 2012:

| | |
|----------------------------------|--------------------------|
| Mr. Maya Shanker Verma, Chairman | - Independent Director |
| Mr. Shiv Dayal Kapoor | - Independent Director |
| Mr. Pradip Kumar Khaitan | - Independent Director |
| Mr. Vikas Agarwal | - Non-Executive Director |
| Mr. Vishal Agarwal | - Managing Director |

Three meetings of the Committee were held during 2011-12 on 30 May 2011, 11 November 2011 and 13 February 2012 and the details of attendance by the Committee members are as given under:

| Name of the Director | No. of meetings | |
|--------------------------|-----------------|----------|
| | Held | Attended |
| Mr. Maya Shanker Verma | 3 | 3 |
| Mr. Shiv Dayal Kapoor | 3 | 3 |
| Mr. Pradip Kumar Khaitan | 3 | 1 |
| Mr. Vikas Agarwal | 3 | 3 |
| Mr. Vishal Agarwal | 3 | 3 |

Selection Committee

In terms of Section 314(1B) of the Companies Act, 1956 and Director's Relatives (Office or Place of Profit) Rules 2003, as amended by the Director's Relatives (Office or Place of Profit) Amendment Rules 2011, for selecting and appointing employees, who are relatives of the Directors and carrying monthly remuneration exceeding Rs.250,000, your Company has a Selection Committee in place. The role of the Committee is also to determine the remuneration and revisions to the same and making periodic recommendations to the Board on their performance. The Committee comprises of the following Independent Directors as on 31 March 2012:

| | |
|----------------------------------|------------------------|
| Mr. Debi Prasad Bagchi, Chairman | - Independent Director |
| Mr. Pradip Kumar Khaitan | - Independent Director |
| Mr. Shanti Narain | - Independent Director |

The Selection Committee did not meet during the year 2011-12.

III. SUBSIDIARY COMPANIES

The Company has two subsidiary companies, VISA BAO Limited (VBL) and Ghotaringa Minerals Limited.

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, VBL is a "material non-listed Indian subsidiary" of your Company.

In accordance with the Clause 49 (III) of the Listing Agreement, the following is duly complied with:

- Mr. Shiv Dayal Kapoor, an Independent Director on the Board of Directors of the Company is a Director on the Board of Directors of VBL.

- The Audit Committee reviews the financial statements and in particular, the investments made by the unlisted subsidiary companies.
- The minutes of the Board meetings as well as statements of all significant transactions of the unlisted subsidiary companies are placed before the Board of Directors of the Company for their review.

IV. DISCLOSURES

Related Party transactions

Related Party transactions as specified under Clause 49 of the Listing Agreement is placed before the Audit Committee. A comprehensive list of Related Parties and their transactions as required by AS-18 issued by the Institute of Chartered Accountants of India, forms part of Note No. 3.40 to the Financial Statements in the Annual Report.

Disclosure of Accounting Treatment

The accounting treatment in the preparation of financial statements is in line with that prescribed by the Accounting Standards u/s 211(3C) of the Companies Act, 1956.

Code of Conduct

The Code of Conduct applicable to Directors and Senior Management, as approved by the Board of Directors is available on the website of the Company – www.visasteel.com. All Directors and Senior Management Personnel have affirmed compliance with the Code and a declaration signed by the Managing Director is given below:

"I hereby confirm that, the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2011-12."

Kolkata
Date: 25 May 2012

Vishal Agarwal
Managing Director

Risk Management

The Company periodically identifies, assesses and monitors risks associated with operations, foreign exchange fluctuation, processes and systems, statutory compliances, HR policies etc. The Internal Auditor conducts periodical audits and reports to the Audit Committee at its meetings on the adequacy of the procedures.

Details on use of proceeds from public issues

During the year, the Company did not raise any money through public issue, right issues or preferential issues and there was no unspent money raised through such issues.

Remuneration of Directors

All details of remuneration to Directors have been disclosed above.

The details of the shares held by the Non-Executive Directors as on 31 March 2012 are as given below:

| Name of the Director | No. of shares held |
|--------------------------|--------------------|
| Mr. Maya Shanker Verma | 1,017 |
| Mr. Shiv Dayal Kapoor | - |
| Mr. Debi Prasad Bagchi | - |
| Mr. Shanti Narain | - |
| Mr. Pradip Kumar Khaitan | - |
| Mrs. Saroj Agarwal* | - |
| Mr. Vikas Agarwal** | - |

* Mrs. Saroj Agarwal ceased to be a director on the Board with effect from 6 February 2012.

**Mr. Vikas Agarwal ceased to be a director on the Board with effect from 28 April 2012.

Details of Directors appointed / re-appointed

Details of Directors being appointed / re-appointed, have been disclosed in the Notice for the Annual General Meeting (AGM), i.e. a brief resume, nature of expertise in specific functional areas, names of directorships and committee memberships and their shareholding in the Company.

Means of communication**- Quarterly results**

Which newspapers normally published in

- Business Standard / The Financial Express
- Sambad (Oriya)

Any website, where displayed

- www.visasteel.com

Whether it displays official news releases

- Yes

Presentation to investors / analysts: are they available on the website

- Available as and when made

Whether Shareholder Information Report forms part of the Annual Report

- Yes

General Body Meetings**Current AGM date, time and venue**

The forthcoming Annual General Meeting will be held on Tuesday, 14 August 2012 at 4.00 p.m. at IDCOL Auditorium, IDCOL House, Ashok Nagar, Near Indira Gandhi Park, Unit – II, Bhubaneswar 751 001.

Location and time, where last three AGMs held:

| Year | Location | Date | Time | Whether special resolutions passed |
|---------|---|----------------|------------|------------------------------------|
| 2010-11 | Jayadev Bhavan, Ashok Nagar, Unit-II, Bhubaneswar 751 001 | 26 July 2011 | 4.00 p.m. | No |
| 2009-10 | Jayadev Bhavan, Ashok Nagar, Unit-II, Bhubaneswar 751 001 | 17 August 2010 | 11.30 a.m. | Yes |
| 2008-09 | Jayadev Bhavan, Ashok Nagar, Unit-II, Bhubaneswar 751 001 | 26 August 2009 | 12.30 p.m. | Yes |

Postal Ballot

Whether resolutions were put through postal ballot last year

: No

Details of voting pattern

: NA

Person who conducted the postal ballot exercise

: NA

Procedure for postal ballot

: NA

Whether any resolution is proposed to be conducted through postal ballot

: NA

Details of non-compliance by the company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There are no penalties or strictures imposed on the Company by SEBI or Stock Exchanges or any statutory authority on any capital market issue during the last 3 years.

Details of compliance with mandatory requirements and adoption of non-mandatory requirements of this clause.

Your Company is in compliance with all the mandatory requirements of this Clause and with regard to the non-mandatory requirements, your Company already has a Remuneration Committee in place. The Company also issues Investor & Press Releases on a quarterly basis, subsequent to the publication of the financial results, which are sent to the Stock Exchanges and are available on the website of the Company. Other non-mandatory requirements shall be put in place, as and when considered and approved by the Board.

Certificate from the Auditors regarding compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed herewith.

Shareholders Information

1. ANNUAL GENERAL MEETING

- Date and Time : 14 August 2012 at 4 p.m.
- Venue : IDCOL Auditorium, IDCOL House, Ashok Nagar,
Near Indira Gandhi Park, Unit – II,
Bhubaneswar 751 001

2. FINANCIAL YEAR

- : April to March

3. FINANCIAL CALENDAR (TENTATIVE)

- :

| | |
|---|-------------------|
| Financial reporting and Limited Review for the quarter ending 30 June 2012 | Early August 2012 |
| Financial reporting and Limited Review for the half year ending 30 September 2012 | End October 2012 |
| Financial reporting and Limited Review for the quarter ending 31 December 2012 | End January 2013 |
| Financial reporting for the year ending 31 March 2013 | Mid May 2013 |
| Annual General Meeting for the year ending 31 March 2013 | End July 2013 |

4. DATES OF BOOK CLOSURE

- : 6 August 2012 to 14 August 2012
(both days inclusive)

5. DIVIDEND PAYMENT DATE

- : Not applicable

6. REGISTERED OFFICE

- : VISA House, 11, Ekamra Kanan,
Nayapalli, Bhubaneswar 751 015
Tel: +91 0674 2552 479, Fax: +91 0674 2554 661
E-mail: investors@visasteel.com
Website: www.visasteel.com

7. LISTING DETAILS

- : Equity Shares

Bombay Stock Exchange Limited,
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001
Stock Symbol: (532721)

The National Stock Exchange of India Limited
“Exchange Plaza”, Bandra – Kurla Complex,
Bandra (E), Mumbai 400 051
Stock Symbol: (VISASTEEL)

Note: Listing fees has been paid to the Stock Exchanges for the year 2012-13.

8. STOCK PRICE DATA :

| | Bombay Stock Exchange | | | | National Stock Exchange | | | |
|--------|-----------------------|-------|-------|----------------------|-------------------------|-------|-------|----------------------|
| | High | Low | Close | No. of Shares Traded | High | Low | Close | No. of Shares Traded |
| | (Rs.) | | | (Nos) | (Rs.) | | | (Nos) |
| Apr-11 | 56.50 | 44.70 | 53.70 | 1,257,445 | 56.40 | 44.65 | 53.45 | 2,917,353 |
| May-11 | 65.20 | 53.00 | 62.45 | 1,292,574 | 65.00 | 53.00 | 62.35 | 3,502,034 |
| Jun-11 | 62.00 | 57.10 | 58.80 | 578,172 | 62.95 | 51.70 | 59.00 | 1,914,475 |
| Jul-11 | 60.45 | 57.50 | 58.75 | 955,627 | 61.00 | 57.50 | 58.85 | 1,529,302 |
| Aug-11 | 59.85 | 56.00 | 56.95 | 677,598 | 59.90 | 53.45 | 57.00 | 1,727,978 |
| Sep-11 | 59.00 | 57.00 | 58.50 | 97,595 | 59.90 | 55.25 | 58.50 | 226,028 |
| Oct-11 | 59.25 | 57.00 | 58.50 | 101,291 | 59.25 | 58.00 | 58.60 | 150,286 |
| Nov-11 | 59.50 | 54.70 | 58.00 | 323,295 | 59.95 | 50.20 | 58.00 | 489,551 |
| Dec-11 | 58.95 | 56.80 | 57.75 | 138,108 | 58.95 | 55.25 | 57.75 | 376,358 |
| Jan-12 | 58.40 | 57.35 | 57.55 | 135,562 | 58.55 | 57.05 | 57.70 | 186,823 |
| Feb-12 | 64.30 | 57.40 | 59.00 | 253,983 | 66.00 | 55.55 | 59.05 | 399,948 |
| Mar-12 | 60.45 | 56.00 | 56.60 | 149,179 | 65.40 | 55.55 | 57.00 | 254,313 |

9. STOCK CODE :

| | Reuters | Bloomberg |
|-------------------------|---------|-----------|
| Bombay Stock Exchange | VISA.BO | VISA:IN |
| National Stock Exchange | VISA.NS | VISA:IN |

10. STOCK PERFORMANCE :

Stock Performance (Indexed)



11. STOCK PERFORMANCE OVER THE PAST FEW YEARS :

| (In Percentage) | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years |
|-----------------|----------|---------|---------|---------|---------|
| VISASTEEL | 26.11 | 34.43 | 208.94 | 28.96 | 115.50 |
| BSE Sensex | (-)10.50 | (-)0.71 | 79.27 | 11.25 | 33.14 |
| NSE Nifty | (-)9.23 | 0.88 | 75.29 | 11.85 | 38.57 |

12. REGISTRARS AND TRANSFER AGENTS :

(Share transfer and communication regarding share certificates, dividends and change of address)

Karvy Computershare Private Limited
Unit: VISA Steel Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081
Tel: + 91 40 2342 0818, Fax: + 91 40 2342 0814
Email: einward.ris@karvy.com
Website: www.karvy.com

13. SHARE TRANSFER SYSTEM :

The Board of Directors have delegated powers to the Registrars & Transfer Agents for effecting share transfers, splits, consolidation, sub-division, issue of duplicate share certificates, rematerialisation and dematerialisation, etc., as and when such requests are received.

The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges. Further, reconciliation of the share capital report is also submitted on a quarterly basis for reconciliation of the share capital of the Company.

14. INVESTOR SERVICES :

- Complaints received during the year

| Nature of complaints | 2011-12 | | 2010-11 | |
|--|-----------|-----------|-----------|-----------|
| | Received | Cleared | Received | Cleared |
| Relating to non-allotment, non-receipt of refund cheques arising out of the IPO exercise | - | - | - | - |
| Grievance related to non receipt of dividend | 13 | 13 | 23 | 23 |
| Relating to complaints from SEBI / Stock Exchanges | 2 | 2 | 1 | 1 |
| Total | 15 | 15 | 24 | 24 |

- Number of pending complaints as on 31 March 2012: NIL

- Number of pending share transfers as at 31 March 2012: NIL

15. DETAILS OF UNCLAIMED SHARES AS ON 31 MARCH 2012 :

Pursuant to Clause 5A of the Listing Agreement, the details of shares issued pursuant to the initial public issue of the Company which remains unclaimed and are lying in the escrow account as on 31 March 2012 are as follows:

| Year | Opening Balance as on 01.04.2011 | | Cases disposed off during the Financial Year 2011-12 | | Closing Balance as on 31.03.2012 | |
|-----------|-------------------------------------|---------------|---|---------------|-------------------------------------|---------------|
| | No. of Cases | No. of Shares | No. of Cases | No. of Shares | No. of Cases | No. of Shares |
| 2011-2012 | 14 | 4,055 | - | - | 14 | 4,055 |

16. DISTRIBUTION OF SHAREHOLDING AS ON 31 MARCH :

| No. of equity shares held | 2012 | | | | 2011 | | | |
|------------------------------|-----------------------------|------------------------|-----------------------|---------------------|-----------------------------|------------------------|-----------------------|---------------------|
| | No. of share- holders | % of share- holders | No. of shares held | % share- holding | No. of share- holders | % of share- holders | No. of shares held | % share- holding |
| 1 – 500 | 18,899 | 85.13 | 3,007,077 | 2.73 | 25,679 | 82.79 | 4,364,105 | 3.97 |
| 501 – 1000 | 2,063 | 9.29 | 1,532,276 | 1.39 | 3,260 | 10.51 | 2,483,948 | 2.26 |
| 1001 – 2000 | 796 | 3.59 | 1,137,726 | 1.03 | 1,245 | 4.01 | 1,826,129 | 1.66 |
| 2001 – 3000 | 143 | 0.64 | 371,071 | 0.34 | 263 | 0.85 | 687,697 | 0.63 |
| 3001 – 4000 | 56 | 0.25 | 205,453 | 0.19 | 109 | 0.35 | 397,845 | 0.36 |
| 4001 – 5000 | 75 | 0.34 | 360,978 | 0.33 | 140 | 0.45 | 672,702 | 0.61 |
| 5001 – 10000 | 75 | 0.34 | 563,549 | 0.51 | 169 | 0.55 | 1,238,392 | 1.12 |
| 10001 and above | 93 | 0.42 | 102,821,870 | 93.48 | 152 | 0.49 | 98,329,182 | 89.39 |
| Total | 22,200 | 100.00 | 110,000,000 | 100.00 | 31,017 | 100.00 | 110,000,000 | 100.00 |

17. CATEGORIES OF SHAREHOLDING AS ON 31 MARCH :

| Category | 2012 | | | 2011 | | |
|----------------------------------|-----------------------------|-----------------------|---------------------|-----------------------------|-----------------------|---------------------|
| | No. of share- holders | No. of shares held | % share- holding | No. of share- holders | No. of shares held | % share- holding |
| Promoters | 3 | 81,400,000 | 74.00 | 8* | 81,400,000 | 74.00 |
| Persons acting in concert | - | - | - | - | - | - |
| Mutual Funds | - | - | - | - | - | - |
| Banks and Financial Institutions | 2 | 1,607,600 | 1.46 | 3 | 40,681 | 0.04 |
| Insurance Companies | 1 | 500,111 | 0.45 | - | - | - |
| FIIIs | 1 | 4,998,087 | 4.54 | 1 | 4,998,087 | 4.54 |
| NRIIs | 360 | 360,980 | 0.33 | 555 | 672,627 | 0.61 |
| Bodies Corporate | 352 | 10,769,984 | 9.79 | 488 | 6,747,698 | 6.13 |
| Indian Public | 21,481 | 10,363,238 | 9.43 | 29,962 | 16,140,907 | 14.68 |
| Total | 22,200 | 110,000,000 | 100.00 | 31,017 | 110,000,000 | 100.00 |

* Includes 6 shareholders, where the beneficial interest of shares lies with VISA International Limited.

- 18. DEMATERIALISATION OF SHARES AND LIQUIDITY** : 100% of equity shares of the Company are in dematerialised form as on 31 March 2012.
The International Security Identification Number (ISIN) for your Company's shares is INE286H01012.
The CIN allotted by the Ministry of Corporate Affairs is L51109OR1996PLC004601.
- 19. DETAILS ON USE OF PUBLIC FUNDS OBTAINED IN THE LAST THREE YEARS** : No funds had been raised from public in the last three years.
- 20. OUTSTANDING GDRS/ADRS/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY** : Stock Options
In terms of the resolution passed by the Members at the Annual General Meeting held on 17 August 2010, the Company had granted 900,000 Options to the specified employees of the Company and its subsidiary, VISA BAO Limited at an exercise price of Rs.46.30 under the Employee Stock Option Scheme (ESOP Scheme 2010). The vesting of these options is in a phased manner over a period of 4 years from the date of grant and the options may be exercised within a period of 3 years from the date of vesting of the options, in accordance with the ESOP Scheme 2010. Each option when exercised would be converted into one Equity Share of Rs.10 each fully paid-up.
As on 31 March 2012, there are 773,125 Options outstanding under the ESOP Scheme 2010 and 197,344 Options have been vested. None of the Options have been exercised till 31 March 2012. As on 31 March 2012, 126,875 Options have lapsed under the ESOP Scheme 2010.
- 21. PLANT LOCATIONS** :
Kalinganagar Industrial Complex
P.O. Jakhapura,
Dist. Jajpur
Odisha 755 026
Tel: + 91 6726 242441
Fax: + 91 6726 242442
Village Golagaon
Near Duburi
P.O.Pankapal. Dist.Jajpur
Odisha
Tel: + 91 6726 245470
Fax: + 91 6726 245561
- 22. INVESTOR CORRESPONDENCE** : Company Secretary,
VISA Steel Limited
VISA House, 8/10 Alipore Road,
Kolkata 700 027
Tel: + 91 33 3011 9000
Fax: + 91 33 3011 9002
Email: investors@visasteel.com

In line with the Circular no.SEBI/CFD/DIL/LA/1/2009/24/04 dated 24 April, 2009 issued by Securities and Exchange Board of India, the Company has opened a Demat Account titled "VISA Steel Limited – Demat Suspense Account" comprising shares allotted to investors during the IPO and not yet credited to the investors' demat account due to mismatch of information / invalid demat account. Investors who have not received credit of shares allotted to them during the IPO are requested to contact the Registrars / Company Secretary for the same.

Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To The Members of VISA Steel Limited

We have examined the compliance of conditions of Corporate Governance by VISA Steel Limited (the Company) for the year ended 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Prabal Sarkar

Partner

Membership No: 52340

For and on behalf of

Lovelock & Lewes

Firm Registration Number – 301056E

Chartered Accountants

Place: Kolkata

Date: 25 May 2012

Auditors' Report

to the Members of VISA Steel Limited

1. We have audited the attached Balance Sheet of VISA Steel Limited (the "Company") as at 31 March, 2012 , and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our opinion, we draw attention to Note 3.36 to the financial statements, regarding the preparation of the same on a going concern basis. The Company incurred a net loss of Rs.1188.54 Million during the year ended March 31, 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.15,111.77 Million, while the Company's net worth remains positive as at the balance sheet date. In view of proposed plan to restructure the Company's debt profile to convert majority of their short term loan to long term loan , these financial statements have been prepared on a going concern basis and no adjustment has been made to the carrying value of the assets and liabilities.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

Auditors' Report

to the Members of VISA Steel Limited

- (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give

a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2012;
- (ii) in the case of the Statement of Profit and Loss , of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
 Lovelock & Lewes
 Firm Registration Number: 301056E
 Chartered Accountants

Place: Kolkata
 Date: 25 May 2012

Prabal Sarkar
 Partner
 Membership Number 52340

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of VISA Steel Limited on the financial statements as of and for the year ended 31 March, 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted unsecured loans, to one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 2.5 Million.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- (e) The Company has taken unsecured loans, from one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 506.40 Millions.
- (f) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts, as stipulated, and is also regular in payment of interest, as applicable.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of VISA Steel Limited on the financial statements as of and for the year ended 31 March, 2012

8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect

of tax deducted at source, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty as at 31 March, 2012 which have not been deposited on account of a dispute, are as follows:

| Name of the statute | Nature of dues | Amount (Rs. Million) | Period to which the amount relates | Forum where the dispute is pending |
|--|--|-------------------------|---------------------------------------|--|
| Income Tax Act, 1961 | Wrong valuation of Closing Stock and loans converted to equity | 5.49 | Assessment Year 2003-04 | The Commissioner of Income Tax Appeals, Bhubaneswar, Odisha |
| Income Tax Act, 1961 | Under valuation of Closing Stock and disallowance of interest | 44.56 | Assessment Year 2004-05 | The Commissioner of Income Tax Appeals, Bhubaneswar, Odisha |
| Income Tax Act, 1961 | Disallowance of certain expenses | 10.24 | Assessment Year 2006-07 | The Commissioner of Income Tax Appeals, Bhubaneswar, Odisha |
| Central Sales Tax (Orissa) Rules, 1957 | Difference in way bill value and invoice value | 0.01 | Financial Year 1999-2000 | Sales Tax Tribunal, Odisha |
| Orissa Entry Tax Act, 1999 | Adhoc freight addition for calculating landed cost | 0.13 | Financial Year 2004-05 | The Asst. Commissioner of Sales Tax (Appeals), Jajpur Range, Jajpur Road, Odisha |
| Orissa Entry Tax Act, 1999 | Entry tax on imported coke | 134.07 | Financial year 2008-09 2011-12 | The Commissioner of Commercial Taxes, Cuttack, Odisha |
| Orissa Sales Tax. Act 1947 | Non-payment of Surcharge | 0.01 | Financial Year 2004-05 | The Asst. Commissioner of Sales Tax (Appeals), Jajpur Range, Jajpur Road, Odisha |
| West Bengal VAT, | VAT on High Sea Sales | 43.00 | Financial Year 2006-07 | The Commissioner of Commercial Taxes, West Bengal. |

10. The accumulated losses of the Company did not exceed fifty percent of its net worth as at 31 March, 2012 and *it has incurred cash losses in the financial year ended on that date but has not incurred cash losses in the immediately preceding financial year.*
11. According to the records of the Company examined by us and the information and explanations given to us, *other than dues to financial institution, bank as mentioned in note 3.3 G and 3.6 in the financial statements for the period from 1 April 2011 to 31 March 2012 aggregating Rs. 620.76 Million towards principal and RS 387.17 Million towards interest,* the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, *funds aggregating Rs. 9654.90 Million raised on a short term basis have been used for the purpose of acquisition of Fixed Assets and repayment of long-term loan.*
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For and on behalf of

Lovelock & Lewes

Firm Registration Number: 301056E

Chartered Accountants

Prabal Sarkar

Partner

Membership Number 52340

Place: Kolkata

Date: 25 May 2012

Balance Sheet as at 31 March 2012

| Rs. Million | | | |
|----------------------------------|----------|------------------|------------------|
| | Note | 31 March 2012 | 31 March 2011 |
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share capital | 3.1 | 1,100.00 | 1,100.00 |
| Reserves and surplus | 3.2 | 1,244.32 | 2,432.86 |
| | | 2,344.32 | 3,532.86 |
| Non Current Liabilities | | | |
| Long-term borrowings | 3.3 | 9,223.86 | 9,983.60 |
| Deferred tax liabilities (Net) | 3.39 | - | 597.01 |
| Other long-term liabilities | 3.4 | 787.20 | 390.25 |
| Long-term provisions | 3.5 | 10.68 | 9.76 |
| | | 10,021.74 | 10,980.62 |
| Current Liabilities | | | |
| Short-term borrowings | 3.6 | 2,808.39 | 1,668.22 |
| Trade payables | 3.7 | 9,353.84 | 7,255.69 |
| Other current liabilities | 3.8 | 8,771.71 | 5,564.05 |
| Short-term provisions | 3.9 | 53.78 | 158.38 |
| | | 20,987.72 | 14,646.34 |
| Total | | 33,353.78 | 29,159.82 |
| II. ASSETS | | | |
| Non Current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 3.10 (a) | 7,807.30 | 7,706.60 |
| Intangible assets | 3.10 (b) | 11.07 | 2.53 |
| Capital work -in-progress | | 17,776.76 | 13,488.30 |
| | | 25,595.13 | 21,197.43 |
| Non-current investments | 3.11 | 610.40 | 610.40 |
| Long-term loans & advances | 3.12 | 1,195.61 | 936.43 |
| Other non-current assets | 3.13 | 76.69 | 75.77 |
| | | 27,477.83 | 22,820.03 |
| Current Assets | | | |
| Inventories | 3.14 | 3,525.06 | 3,956.80 |
| Trade receivables | 3.15 | 515.81 | 479.86 |
| Cash and Bank balances | 3.16 | 766.49 | 809.31 |
| Short-term loans and advances | 3.17 | 1,019.70 | 1,021.26 |
| Other current assets | 3.18 | 48.89 | 72.56 |
| | | 5,875.95 | 6,339.79 |
| Total | | 33,353.78 | 29,159.82 |

The notes are an integral part of the Financial Statements.
This is the Balance Sheet referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Prabir Ramendralal Bose
Deputy Managing Director

Prabal Sarkar
Partner
Membership Number 52340

Subhra Giri
Company Secretary

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Place: Kolkata
Date: 25 May 2012

Statement of Profit and Loss for the year ended 31 March 2012

Rs. Million

| | Note | 31 March 2012 | 31 March 2011 |
|---|----------------|-------------------|------------------|
| INCOME | | | |
| Revenue from operations (Gross) | | | |
| Sale of products | 3.22 | 14,275.74 | 13,404.10 |
| Other operating revenues | 3.23 | 162.96 | 177.38 |
| | | 14,438.70 | 13,581.48 |
| Less: Excise duty | | 779.65 | 345.09 |
| Revenue from operations (Net) | | 13,659.05 | 13,236.39 |
| Other income | 3.24 | 259.91 | 230.06 |
| I. Total revenue | | 13,918.96 | 13,466.45 |
| EXPENSES | | | |
| Cost of materials consumed | 3.25 | 10,381.81 | 8,009.69 |
| Purchases of Stock-in-Trade | 3.27 | 2,441.33 | 2,397.26 |
| Changes in inventory of finished goods, work-in-progress and Stock-in-Trade | 3.27 (a) | (1,410.45) | (745.68) |
| Employee benefits expense | 3.28 | 380.30 | 429.44 |
| Finance costs | 3.29 | 1,896.68 | 1,029.49 |
| Depreciation and amortisation expense | 3.10 (a) & (b) | 511.52 | 482.05 |
| Other expenses | 3.30 | 1,065.35 | 999.65 |
| II. Total expenses | | 15,266.54 | 12,601.90 |
| III. (Loss) / Profit before exceptional items and tax | | (1,347.58) | 864.55 |
| IV. Exceptional items | 3.30 | (617.27) | - |
| V. (Loss) / Profit before tax | | (1,964.85) | 864.55 |
| VI. Tax expense | | | |
| Current tax | | - | 182.61 |
| Less : MAT credit entitlement | | (179.30) | (127.74) |
| Net current tax | | (179.30) | 54.87 |
| Deferred tax | | (597.01) | 295.91 |
| VII. (Loss) / Profit for the period | | (1,188.54) | 513.77 |
| VIII. Earning per equity share | 3.32 | | |
| Basic (Rs.) | | (10.80) | 4.67 |
| Diluted (Rs.) | | (10.80) | 4.67 |

The notes are an integral part of the Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Prabir Ramendralal Bose
Deputy Managing Director

Prabal Sarkar
Partner
Membership Number 52340

Subhra Giri
Company Secretary

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Place: Kolkata
Date: 25 May 2012

Notes to Financial Statements

1. GENERAL INFORMATION

VISA Steel Limited (VSL) is engaged in the manufacturing of Iron and Steel products including LAM Coke, High Carbon Ferro Chrome, Pig Iron, Sponge Iron and Special Steel with captive power plant at Kalinganagar, Odisha. Incorporated on 10 September, 1996, VSL has its registered office at Bhubaneswar and Corporate Office in Kolkata with manufacturing units in Kalinganagar and Golagaon and branch offices across India. VISA Steel Limited is a public limited company with its shares listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Principal Accounting Policies

The Financial Statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956. A summary of important accounting policies which have been applied consistently are set out below. Financial Statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956 of India.

2.2 Basis of Accounting

The Financial Statements have been prepared under the historical cost convention.

2.3 (a) Fixed Assets

- (i) Fixed Assets are stated at their acquisition cost (net of CENVAT credit), where applicable together with any incidental expenses of acquisition / installation. Cost of acquisition includes borrowing costs that are directly attributable to the acquisition / construction of qualifying assets. Impairment loss, if any, ascertained as per the Accounting Standard u/s 211 (3C) of the Companies Act, 1956.
- (ii) Exchange difference pertaining to long term foreign currency monetary items are added / deducted from the capital assets in pursuance to the Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs amending Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates", w.e.f 1 April 2011.
- (iii) Profit or loss on disposal of fixed assets is recognised in the Statement of Profit and Loss.

(b) Depreciation and Amortisation

- (i) Depreciation on fixed assets, other than leasehold land, is provided on Straight Line Method in accordance with Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of lease. No depreciation is provided for freehold land.
- (ii) Leasehold asset which are jointly held are amortised over the period of the lease term.
- (iii) Computer software has been capitalised as Intangible Assets and are being amortised over its useful lives of three years.

2.4 Investments

Investments of long term nature is stated at cost, less adjustment for diminution, other than temporary, in the value thereof.

2.5 Inventories

Inventories are stated at cost (net of CENVAT credit) or net realisable value, whichever is lower. Cost is determined on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and includes, where applicable appropriate overheads. Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary, provision is made for such inventories.

2.6 Sales

Sales represent the invoiced value of goods and services supplied, net of value added tax (VAT) / sales tax but inclusive of excise duty.

Notes to Financial Statements

2.7 Transactions in Foreign Currencies

- (i) Transactions in foreign currencies are recorded in rupees by applying the exchange rate prevailing on the date of transaction. Transactions remaining unsettled are translated at the rate of exchange ruling at the end of the year. Exchange gain or loss arising on settlement / translation is recognised in the Statement of Profit and Loss, except those as mentioned in note 2.3 a (ii).
- (ii) Premium or discount on forward contracts are amortised over the life of the contract. Foreign exchange forward contracts are revalued at the balance sheet date and the exchange difference between the spot rate at the date of the contract and the spot rate on the balance sheet date is recognised as gain / loss in the Statement of Profit and Loss, except those as mentioned in note 2.3 a (ii).

2.8 Employee Benefits

(i) Post Retirement Benefit

(a) Provident Fund

The Company operates defined contribution schemes like Provident Fund. The Company makes regular contribution to provident funds which are fully funded and administered by Government and are independent of Company's finance. Contributions are recognised in Statement of Profit and Loss on an accrual basis.

(b) Gratuity

Defined Benefit Plans like Gratuity Schemes are also maintained by the Company. The Company has taken out a policy with Life Insurance Corporation of India (LICI) for future payment of gratuity liability to its employees. Gratuity liability is determined at the end of each year by LICI in accordance with the method stated in the Accounting Standard 15 (Revised 2005) [AS 15 (Revised)] on "Employee Benefits" and such liability has been provided for in the accounts. Annual Premium determined by LICI is contributed.

(ii) Other Long-term Employee Benefits:

Leave Encashment

Leave encashment benefit is determined on the basis of independent actuarial valuation (using Projected Unit Credit Method), at the end of each year in accordance with the method stated in AS 15 (Revised) and such liability is provided for in the accounts and charge is recognised in the Statement of Profit and Loss.

(iii) Other Employee Benefits are accounted for on accrual basis.

2.9 Accounting for Taxes on Income

Current tax in respect of taxable income is recognised based on applicable tax rates and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been substantively enacted by the balance sheet date. Deferred tax assets are recognised only if there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised. Such assets are reviewed as at each balance sheet date to reassess realisability thereof. Minimum Alternate Tax (MAT) Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of the MAT Credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.10 Borrowing Cost

Borrowing costs attributable to acquisition and / or construction of qualifying assets are capitalised as a part of the cost of such assets upto the date when such assets are ready for its intended use. Other borrowing costs are charged to the Statement of Profit and Loss.

2.11 Leases

Assets acquired as leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as Operating Leases. Lease rentals in respect of assets acquired under Operating Lease are charged to the Statement of Profit and Loss on accrual basis.

2.12 Miscellaneous Expenditure - To the extent not written off or adjusted

Public issue expenses are being amortised over a period of five years.

Notes to Financial Statements

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.1 SHARE CAPITAL | | |
| Authorised | | |
| 160,000,000 Equity Shares of Rs.10/- each | 1,600.00 | 1,600.00 |
| Issued, Subscribed and Paid-up | | |
| 110,000,000 Equity Shares of Rs.10/- each fully paid up | 1,100.00 | 1,100.00 |

(a) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares referred to as equity shares having face value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting.

(b) Shares held by the Holding / Ultimate Holding Company and / or their Subsidiaries and Associates

| | | |
|--|--------|--------|
| 57,612,167 Equity Shares of Rs.10/- each held by VISA Infrastructure Limited the Holding Company | 576.12 | 576.12 |
|--|--------|--------|

(c) Shareholders holding more than 5 % shares

| | | |
|--------------------------------------|------------|------------|
| VISA Infrastructure Limited (Number) | 57,612,167 | 57,612,167 |
| VISA Infrastructure Limited (%) | 52.37 | 52.37 |
| VISA International Limited (Number) | 23,532,233 | 23,532,233 |
| VISA International Limited (%) | 21.39 | 21.39 |

(d) Share Reserved for issue under option

For details of share reserved for issue under the Employee Stock Option Plan (ESOP) of the Company refer note: 3.33

- (e)** VISA Infrastructure Limited, the holding company has pledged 55,000,000 number of equity shares (17,300,000 number equity shares as on 31 March 2012) being 95.47 % of its total shareholding.

| | Rs. Million | |
|---|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.2 RESERVES AND SURPLUS | | |
| Capital Reserve | | |
| Balance as at the beginning of the year | 0.07 | 0.07 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 0.07 | 0.07 |
| Securities Premium Reserve | | |
| Balance as at the beginning of the year | 1,645.00 | 1,645.00 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 1,645.00 | 1,645.00 |
| General Reserve | | |
| Balance as at the beginning of the year | 91.76 | 91.76 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 91.76 | 91.76 |
| (Deficit) / Surplus in the Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 696.03 | 310.10 |
| Add : Net (Loss) / Profit after Tax transferred from Statement of Profit and Loss | (1,188.54) | 513.77 |
| Amount available for appropriation | (492.51) | 823.87 |

Notes to Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| 3.2 RESERVES AND SURPLUS (Contd.) | | |
| Less: Appropriations : | | |
| Proposed Dividend | - | 110.00 |
| Income Tax on Proposed Dividend | - | 17.84 |
| Balance as at the end of the year | (492.51) | 696.03 |
| Total | 1,244.32 | 2,432.86 |

Rs. Million

| 3.3 LONG-TERM BORROWINGS | Non Current Portion | | Current Maturities | | Total | |
|--|----------------------------|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| Term Loan (Secured) | | | | | | |
| From Banks [A + B + C (a)] | 7,620.59 | 9,126.95 | 3,270.25 | 2,048.60 | 10,890.84 | 11,175.55 |
| From Other Parties [C(b) + D] | 731.25 | 340.56 | 140.58 | 112.50 | 871.83 | 453.06 |
| Other Loans & Advances (Secured) | | | | | | |
| Equipment and Other Loan (E) | | | | | | |
| From Banks [E(a)] | 15.88 | 53.74 | 41.21 | 36.34 | 57.09 | 90.08 |
| From Other Parties [E(b)] | 99.74 | 212.35 | 132.96 | 112.61 | 232.70 | 324.96 |
| Loan from Related Parties (F) (Unsecured) | 756.40 | 250.00 | - | - | 756.40 | 250.00 |
| | 9,223.86 | 9,983.60 | 3,585.00 | 2,310.05 | 12,808.86 | 12,293.65 |
| The above amount includes: | | | | | | |
| Secured borrowing | 8,467.46 | 9,733.60 | 3,585.00 | 2,310.05 | 12,052.46 | 12,043.65 |
| Unsecured borrowing | 756.40 | 250.00 | - | - | 756.40 | 250.00 |
| Amount disclosed under the head "other current liabilities" (refer note 3.8) | - | - | (3,585.00) | (2,310.05) | (3,585.00) | (2,310.05) |
| | 9,223.86 | 9,983.60 | - | - | 9,223.86 | 9,983.60 |

A. Term loan From Banks

Nature of Security

Term Loan from Banks is secured by way of first charge on the land and fixed assets situated at Kalinganagar Industrial Complex, District Jajpur, Odisha together with hereditaments and premises and building, plant and machineries permanently affixed thereto and other erections thereon both present and future at Plant at Kalinganagar Industrial Complex, District Jajpur, Odisha and second charge on all the current assets of the Company ranking pari-passu with other banks along with Corporate Guarantee of VISA International Limited and personal guarantee of Managing Director of the Company.

Notes to Financial Statements

| Banks | As at 31 March 2012 (Rs. Million) | Terms of Repayment | Interest rate |
|---------------------------|-----------------------------------|--|--------------------|
| Andhra Bank | 366.43 | Twelve quarterly instalments of Rs.18.70 million each, Four quarterly instalments of Rs.28.00 million each, One quarterly instalment of Rs.5.30 million, Two quarterly instalments of Rs.12.40 million each, One quarterly instalment of Rs.13.10 million, The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | BPLR-2.50 % |
| Andhra Bank | 141.03 | Twenty four quarterly instalments of Rs.12.5 million each w.e.f March 12. The period of maturity w.r.t the balance sheet date is 5 years and 9 months. | BPLR-1.75 % |
| Bank of Baroda | 208.42 | One quarterly instalment of Rs.8.2 million, Twelve quarterly instalments of Rs.10.42 million each, Four quarterly instalments of Rs.13.68 million each, Four quarterly instalments of Rs.5.12 million each. The period of maturity w.r.t the balance sheet date is 5 years. | Base Rate + 3.50 % |
| Bank of India | 412.86 | One quarterly instalment of Rs.16.40 million, Eight quarterly instalments of Rs.20.80 million each, Four quarterly instalments of Rs.23.40 million each, Four quarterly instalments of Rs.24.80 million each, Three quarterly instalments of Rs.13.82 million each. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | Base Rate + 3.25 % |
| Bank of India | 8.71 | Two quarterly instalments of Rs.5.80 million each w.e.f March 12. The period of maturity w.r.t the balance sheet date is 3 months . | Base Rate + 3.25 % |
| Canara Bank | 97.79 | Twenty three quarterly instalments of Rs.16.70 million each w.e.f June 12 and One quarterly instalment of Rs.15.90 million. The period of maturity w.r.t the balance sheet date is 6 years. | BPLR - 0.75 % |
| Central Bank of India | 823.83 | Twelve quarterly instalments of Rs.41.70 million each, Four quarterly instalments of Rs.62.20 million each, One quarterly instalment of Rs.11.80 million, Two quarterly instalments of Rs.27.60 million each, One quarterly instalment of Rs.27.5 million. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | Base Rate + 4.25 % |
| DENA Bank | 206.57 | One instalment of Rs.8.20 million, Twelve quarterly instalments of Rs.10.41million each, Four quarterly instalments of Rs.13.68 million each, Four quarterly instalments of Rs.5.17 million each. The period of maturity w.r.t the balance sheet date is 5 years. | Base Rate + 3.25 % |
| DENA Bank | 241.32 | Twenty four quarterly instalments of Rs.10.40 million each w.e.f March 12. The period of maturity w.r.t the balance sheet date is 5 years and 9 months. | Base Rate + 3 % |
| Indian Overseas Bank | 19.13 | One quarterly instalment of Rs.19.13 million. Matured on March 2012. | BPLR - 2.25 % |
| Indian Overseas Bank | 416.21 | Twelve quarterly instalments of Rs.20.80 million each, Four quarterly instalments of Rs.31.20 million each, One quarterly instalment of Rs.5.90 million, Three quarterly instalments of Rs.13.80 million each. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | BPLR - 2.25 % |
| Oriental Bank of Commerce | 77.20 | Six quarterly instalments of Rs.5.73 million each, Four quarterly instalments of Rs.10.70 million each. The period of maturity w.r.t the balance sheet date is 2 years and 3 months. | Base Rate + 3 % |

Notes to Financial Statements

| Banks | As at 31 March 2012 (Rs. Million) | Terms of Repayment | Interest rate |
|---------------------------|-----------------------------------|--|--------------------|
| Oriental Bank of Commerce | 813.54 | One quarterly instalment of Rs.32.80 million, Eleven quarterly instalments of Rs.41.70 million each, Four quarterly instalments of Rs.62.20 million each, One quarterly instalment of Rs.11.80 million, Two quarterly instalments of Rs.27.60 million each, One quarterly instalment of Rs.27.40 million. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | Base Rate + 3.25 % |
| Punjab National Bank | 36.81 | Twenty four quarterly instalments of Rs.8.30 million each w.e.f March 12 and One quarterly instalment of Rs.0.91 million. The period of maturity w.r.t the balance sheet date is 5 years and 9 months. | BPLR +0.50 % |
| Punjab National Bank | 275.05 | Twenty nine quarterly instalments of Rs.9.40 million each. The period of maturity w.r.t the balance sheet date is 7 years. | BPLR +1.5 % |
| State Bank of Hyderabad | 96.82 | Five quarterly instalments of Rs.8.30 million each and Four quarterly instalments of Rs.14.10 million each. The period of maturity w.r.t the balance sheet date is 2 years. | Base Rate + 3.75 % |
| State Bank of Hyderabad | 200.20 | Six quarterly instalments of Rs.10.40 million each, Two quarterly instalments of Rs.10.50 million each, Four quarterly instalments of Rs.11.7 million each, Four quarterly instalments of Rs.12.40 million each, One quarterly instalment of Rs.0.72 million, One quarterly instalment of Rs.0.66 million, One quarterly instalment of Rs.0.67 million. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | Base Rate + 3.75 % |
| State Bank of Hyderabad | 235.08 | Twenty three quarterly instalments of Rs.10.40 million each. The period of maturity w.r.t the balance sheet date is 5 Years and 9 months. | Base Rate + 3.75 % |
| State Bank of Travancore | 249.96 | Twenty four quarterly instalments of Rs.10.40 million each w.e.f March 12. The period of maturity w.r.t the balance sheet date is 5 years and 9 months. | Base Rate + 3.25 % |
| Syndicate Bank | 187.77 | Five quarterly instalments of Rs.14.57 million each and Four quarterly instalments of Rs.27.32 million each. The period of maturity w.r.t the balance sheet date is 2 years. | BPLR - 1.75 % |
| Syndicate Bank | 1,251.53 | One quarterly instalment of Rs.49.22 million, Eight quarterly instalments of Rs.62.50 million each, Four Quarterly instalments of Rs.70.20 million each, Four Quarterly instalments of Rs.74.35 million each, Four Quarterly instalments of Rs.31.00 million each. The period of maturity w.r.t the balance sheet date is 5 years. | BPLR - 1.75 % |
| Syndicate Bank | 149.88 | Thirty Two quarterly instalments of Rs.4.70 million each. The period of maturity w.r.t the balance sheet date is 7 years and 9 months. | BPLR - 1.75 % |
| UCO Bank | 10.77 | One quarterly instalment of Rs.10.78 million. Matured on March 2012. | BPLR - 0.50 % |
| UCO Bank | 193.94 | Three half yearly instalments of Rs.29.16 million each and Three quarterly instalments of Rs.27.30 million each and One instalment of Rs.27.00 million. The period of maturity w.r.t the balance sheet date is 2 years and 3 months. | BPLR - 0.50 % |
| UCO Bank | 629.11 | Twelve quarterly instalments of Rs.31.3 million each, Four quarterly instalments of Rs.46.7 million each, One quarterly instalment of Rs.8.90 million, Three quarterly instalments of Rs.20.70 million each. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | BPLR - 0.50 % |

Notes to Financial Statements

| Banks | As at 31 March 2012 (Rs. Million) | Terms of Repayment | Interest rate |
|-------------|-----------------------------------|--|--------------------|
| UCO Bank | 226.18 | Twenty nine quarterly instalments of Rs.7.80 million each. The period of maturity w.r.t the balance sheet date is 7 years. | BPLR - 0.50 % |
| Union Bank | 600.40 | Twelve quarterly instalments of Rs.31.30 million each, Four quarterly instalments of Rs.46.70 million each, One quarterly instalment of Rs.8.90 million, Three quarterly instalments of Rs.20.70 million each. The period of maturity w.r.t the balance sheet date is 4 years and 9 months. | Base Rate + 4 % |
| Union Bank | 266.48 | Twenty four quarterly instalments of Rs.14.60 million each w.e.f March 12. The period of maturity w.r.t the balance sheet date is 5 years and 9 months. | Base Rate + 4 % |
| Union Bank | 226.47 | Twenty nine quarterly instalments of Rs.7.80 million each. The period of maturity w.r.t the balance sheet date is 7 years . | Base Rate + 4 % |
| Vijaya Bank | 10.40 | One quarterly instalment of Rs.10.40 million. Matured on March 2012. | Base Rate + 4.25 % |
| Vijaya Bank | 209.04 | One quarterly instalment of Rs.8.20 million, Three quarterly instalments of Rs.10.40 million each , One instalment of Rs.10.50 million , Three quarterly instalments of Rs.10.40 million each, One instalment of Rs.10.50 million, Four quarterly instalments of Rs.11.70 million each, Four quarterly instalments of Rs.12.40 million each, Three quarterly instalments of Rs.5.20 million each and one instalment of Rs.5.10 million. The period of maturity w.r.t the balance sheet date is 5 Years . | Base Rate + 4.25 % |
| Vijaya Bank | 392.29 | One quarterly instalment of Rs.5.20 million, Three quarterly instalments of Rs.20.80 million each and quarterly instalments of Rs 20.90 million each till 4 years, Three quarterly instalments of Rs.20.80 million each, one instalment of Rs.20.90 million, Three quarterly instalments of Rs.15.60 million each and One instalment of Rs.15.90 million. The period of maturity w.r.t the balance sheet date is 6 years and 9 months. | Base Rate + 4.25 % |
| | 9,281.22 | | |

Notes to Financial Statements

- B. Term loan From Bank- Balance as at 31 March 2012 (Rs. Million)** 875.00
- Nature of Security**
General Corpus Corporate Loan from State Bank of India is secured by first pari-passu charge on the fixed assets of the Company situated at Kalinganagar Industrial Complex, District Jajpur, Odisha and first charge on the fixed assets situated at Golagaon plant at Ankurapal and second charge on all the current assets of the Company both present and future on pari-passu basis along with other term lenders. State Bank of India is also having lien on fixed deposits of Rs.110.00 million.
- Terms of Repayment:**
The above mentioned facility is to be repaid in One quarterly instalment of Rs.125.00 million and Four quarterly instalments of Rs.187.50 million each, Interest rate @ SBI Advance Rate + 2.25 %. The period of maturity w.r.t the balance sheet date is 1 year.
- C. Subordinate Debt Facility from Banks & FIIS -**
- Nature of Security**
Subordinate Debt Facility from a Consortium of banks and financial institutions through IL&FS Financial Services Limited acting as Facilitator is secured by way of a second mortgage & charge on pari-passu basis with the Working Capital Lenders of all such immovable properties and interest in the immoveable properties including buildings, structures, plant and machinery embedded therein, present & future in the industrial land situated at Kalinganagar Industrial Complex, District Jajpur, Odisha, and by way of second charge on pari-passu basis with the Term Loan lenders on all the movable current assets and movable plant & machinery, spares, tools, accessories both present & future along with Corporate Guarantee of VISA International Limited. The registration of the above charge is pending.
- (a) Term loan from Banks-Balance as at 31 March 2012 (Rs. Million)** 734.62
- Terms of Repayment:**
The above mentioned facility is to be repaid in Twenty four quarterly instalments w.e.f end of 9th quarter from the date of first disbursement i.e 30 March 2011, at an interest rate @ SBI Base rate + 5 %. The period of maturity w.r.t the balance sheet date is 7 years and 3 months.
- (b) Term loan from Financial Institution-Balance as at 31 March 2012 (Rs. Million)** 300.00
- Terms of Repayment:**
The above mentioned facility is to be repaid in Twenty four quarterly instalments w.e.f end of 9th quarter from the date of first disbursement i.e 30 March 2011, at an interest rate @ SBI Base rate + 5 %. The period of maturity w.r.t the balance sheet date is 7 years and 3 months.
- D. Term loan from Financial Institution- Balance as at 31 March 2012 (Rs. Million)** 571.83
- Nature of Security**
Secured by way of first charge on all the assets, both present & future, of the Company's plant including township being financed by HUDCO at Kalinganagar Industrial Complex, Odisha and pari-passu second charge on all the current assets of the Company within the integrated Steel Complex including Township being financed by with other banks along with Corporate Guarantee of VISA International Limited and personal guarantee of Managing Director of the Company.
- Terms of Repayment:**
The above mentioned facility is to be repaid in Thirty one quarterly instalments of Rs.28.10 million each from the reporting date at an interest rate @ HUDCO Benchmark rate + 1 %. The period of maturity w.r.t the balance sheet date is 7 Years and 6 months .
- E. Equipment and other loans**
- Nature of Security**
Equipment Finance and other loan from banks and financial Institutions are secured by way of hypothecation of vehicles / machinery taken under the loan arrangement.
- Terms of Repayment:**
The above mentioned facility is to be repaid in equal monthly instalments over the period of loan.

Notes to Financial Statements

(a) Equipment and other loans from Bank

| Banks | As at 31 March 2012 (Rs. Million) | Terms of Repayment | Interest rate |
|--------------|--|---|----------------------|
| HDFC Bank | 0.35 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 1 year. | 9.75 % |
| ICICI Bank | 56.74 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 2 years and 10 months. | 9.5% to 11.25 % |
| | 57.09 | | |

(b) Equipment and other loans from others

| Financial Institutions | As at 31 March 2012 (Rs. Million) | Terms of Repayment | Interest rate |
|---------------------------------|--|--|----------------------|
| Reliance Cap Ltd. | 4.95 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 1 year and 2 months. | 7.00 % to 10.00 % |
| Family Credit Ltd. | 0.19 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 1 year. | 10.35 % |
| L & T Finance Ltd | 20.32 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 2 years. | 8.00 % to 10.00 % |
| Tata Capital | 90.38 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 2 years and 9 months. | 9.50 % to 11.50 % |
| SREI Equipment Finance (P) Ltd. | 97.41 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 2 years and 4 months. | 10.00 % to 11.00 % |
| Kotak Mahindra | 19.45 | Equal monthly instalments over the period of loan. The period of repayment w.r.t the balance sheet date is 3 years and 1 months. | 11.75 % |
| | 232.70 | | |

F. Loan from Related Parties-Balance as at 31 March 2012 (Rs. Million) [Refer Note 3.40 (c)]

756.40

Company has obtained unsecured loan amounting to Rs.250 million from fellow subsidiary VISA Power Limited at an interest rate of prevailing Bank rate as per RBI + 1 % p.a, which is repayable within 12 months from the Balance Sheet date.

Unsecured loan of Rs.506.40 million have also been obtained from holding company VISA Infrastructure Limited, bearing an interest rate as per SBI base rate i.e 10 % p.a, which is repayable from the proceeds of infusion of fresh equity in the Company, as per contractual terms.

Notes to Financial Statements

- G. The Company has defaulted in the repayment of dues (principal and interest) during the period January 2012 to March 2012. The details of continuing defaults of principal and interest in each case are as follows:

| Name of the Banks | Principal | | Interest | |
|---------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Amount (Rs. Million) | Period | Amount (Rs. Million) | Period |
| Andhra Bank | 18.70 | Jan'12 - Mar'12 | 11.26 | Jan'12 - Mar'12 |
| Andhra Bank | 12.50 | Jan'12 - Mar'12 | 4.95 | Jan'12 - Mar'12 |
| Bank of Baroda | 8.20 | Jan'12 - Mar'12 | 2.52 | Mar'12 |
| Bank of India | 16.40 | Jan'12 - Mar'12 | 13.94 | Jan'12 - Mar'12 |
| Bank of India | 5.80 | Jan'12 - Mar'12 | 0.10 | Mar'12 |
| Canara Bank | 16.70 | Jan'12 - Mar'12 | 2.96 | Feb'12 - Mar'12 |
| Central Bank of India | 41.70 | Jan'12 - Mar'12 | 33.12 | Jan'12 - Mar'12 |
| Central Bank of India | - | - | 2.34 | Feb'12 - Mar'12 |
| Corporation Bank | - | - | 1.52 | Feb'12 - Mar'12 |
| DENA Bank | 8.20 | Jan'12 - Mar'12 | 8.38 | Jan'12 - Mar'12 |
| DENA Bank | 10.40 | Jan'12 - Mar'12 | 8.49 | Jan'12 - Mar'12 |
| HUDCO | 28.00 | Jan'12 - Mar'12 | 23.45 | Dec'11 - Feb'12 |
| ILFS | - | - | 3.01 | Feb'12 - Mar'12 |
| Indian Overseas Bank | 19.13 | Jan'12 - Mar'12 | 1.41 | Feb'12 - Mar'12 |
| Indian Overseas Bank | 20.80 | Jan'12 - Mar'12 | 16.18 | Feb'12 - Mar'12 |
| Indian Overseas Bank | - | - | 2.96 | Feb'12 - Mar'12 |
| Oriental Bank of Commerce | 5.73 | Jan'12 - Mar'12 | 1.04 | Feb'12 - Mar'12 |
| Oriental Bank of Commerce | 32.80 | Jan'12 - Mar'12 | 8.73 | Mar'12 |
| Oriental Bank of Commerce | - | - | 2.78 | Mar'12 |
| Punjab National Bank | 2.30 | Jan'12 - Mar'12 | 0.47 | Mar'12 |
| Punjab National Bank | 9.40 | Jan'12 - Mar'12 | 3.65 | Mar'12 |
| State Bank of Hyderabad | 8.30 | Jan'12 - Mar'12 | 1.90 | Feb'12 - Mar'12 |
| State Bank of Hyderabad | - | - | 4.89 | Feb'12 - Mar'12 |
| State Bank of Hyderabad | - | - | 5.70 | Feb'12 - Mar'12 |
| State Bank of India | 125.00 | Jan'12 - Mar'12 | 12.65 | Mar'12 |
| State Bank of Travancore | 10.40 | Jan'12 - Mar'12 | 8.81 | Jan'12 - Mar'12 |
| Syndicate Bank | 14.57 | Jan'12 - Mar'12 | 6.91 | Jan'12 - Mar'12 |
| Syndicate Bank | 49.20 | Jan'12 - Mar'12 | 45.29 | Jan'12 - Mar'12 |
| Syndicate Bank | - | - | 4.80 | Jan'12 - Mar'12 |
| Syndicate Bank | - | - | 2.94 | Feb'12 - Mar'12 |
| UCO Bank | 10.77 | Jan'12 - Mar'12 | 0.86 | Jan'12 - Mar'12 |
| UCO Bank | 29.16 | Oct'11 - Mar'12 | 7.09 | Jan'12 - Mar'12 |
| UCO Bank | 31.30 | Jan'12 - Mar'12 | 23.02 | Jan'12 - Mar'12 |
| UCO Bank | 7.80 | Jan'12 - Mar'12 | 8.64 | Jan'12 - Mar'12 |
| Union Bank | 31.30 | Jan'12 - Mar'12 | 17.72 | Feb'12 - Mar'12 |
| Union Bank | 14.60 | Jan'12 - Mar'12 | 9.93 | Jan'12 - Mar'12 |
| Union Bank | 7.80 | Jan'12 - Mar'12 | 8.50 | Jan'12 - Mar'12 |
| Vijaya Bank | - | - | 1.48 | Feb'12 - Mar'12 |
| Vijaya Bank | 10.40 | Jan'12 - Mar'12 | 0.72 | Jan'12 - Mar'12 |
| Vijaya Bank | 8.20 | Jan'12 - Mar'12 | 4.85 | Feb'12 - Mar'12 |
| Vijaya Bank | 5.20 | Jan'12 - Mar'12 | 9.91 | Feb'12 - Mar'12 |
| | 620.76 | | 339.87 | |

Notes to Financial Statements

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.4 OTHER LONG-TERM LIABILITIES | | |
| Others-Payable to Subsidiary Company | | |
| Contractual obligation towards facility sharing | 787.20 | 390.25 |
| | 787.20 | 390.25 |

| | Rs. Million | |
|---------------------------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.5 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits | 10.68 | 9.76 |
| | 10.68 | 9.76 |

| | Rs. Million | |
|--------------------------------------|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.6 SHORT-TERM BORROWINGS | | |
| Secured | | |
| Loans Repayable on Demand from Banks | 2,536.76 | 1,419.41 |
| From Financial Institution | | |
| EXIM | 171.67 | 149.99 |
| SIDBI | 99.96 | 98.82 |
| | 2,808.39 | 1,668.22 |

The working capital facilities from Banks and Financial Institution-EXIM are secured by way of first hypothecation charge ranking pari-passu with other banks on the whole of the current assets, namely, stock of raw material, stock in process, semi finished & finished goods, stores & spares not relating to plant & machinery (i.e. consumable stores & spares), bills receivable & book debts and all other movables, both present and future, whether installed or not provided that the charge in favour of the banks on the movable plant & machinery, machinery spares, tools & accessories shall be subject to the charges created and / or to be created thereon in favour of the term lenders to secure the long term borrowing / loans for capital expenditure. The working capital facilities are also secured by second mortgage charge on the land situated at Kalinganagar Industrial Complex, District Jajpur, Odisha together with building and structures thereon and all plant & machinery attached to the earth or permanently fastened to anything attached to the earth along with corporate guarantee of VISA International Limited and personal guarantee of Managing Director of the Company. Interest rate on such Secured Demand Loan from Banks is linked with the base rate of respective banks. Overdue amount as on Balance Sheet date is Rs.47.30 million.

Short term borrowing from Small Industries Development Bank of India (SIDBI) is the amount availed as on Balance Sheet date against the limit of Rs.100 million under the MSMED Receivable Finance Scheme sanctioned by SIDBI covering the sale of goods / services made by SME / eligible service sector and transport services. Interest is payable on such facility at the rate of 13 % p.a. up to 90 days usance. The above loan is secured by way of unconditional corporate guarantee of VISA International Limited.

| | Rs. Million | |
|---------------------------|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.7 TRADE PAYABLES | | |
| Acceptance | 1,043.13 | 766.83 |
| Sundry Creditors | | |
| MSMED | 57.29 | 52.00 |
| Others | 8,253.42 | 6,436.86 |
| | 9,353.84 | 7,255.69 |

Notes to Financial Statements

Rs. Million

| Details of dues to Micro, Small and Medium enterprises (MSMED): | 31 March 2012 | | 31 March 2011 | |
|---|---------------|----------|---------------|----------|
| | Principal | Interest | Principal | Interest |
| (i) The amount remaining unpaid to any supplier as at the end of the accounting year | 57.29 | - | 52.00 | - |
| (ii) The amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during accounting year | - | - | - | - |
| (iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | - | - | - | - |
| (iv) The amount of interest accrued and remaining unpaid at the end of accounting year and | - | - | - | - |
| (v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as deductible expenditure under section 23. | - | - | - | - |

The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 on the basis of information available with the Company.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| 3.8 OTHER CURRENT LIABILITIES | | |
| Current maturities of Long Term Debt (Refer note 3.3) | 3,585.00 | 2,310.05 |
| Interest Accrued and due on borrowings | 393.08 | 119.34 |
| Interest Accrued but not due on borrowings | 18.12 | 1.34 |
| Employee related liabilities | 65.81 | 55.90 |
| Statutory liabilities | 101.04 | 164.10 |
| Share Refund Order account | 0.32 | 0.34 |
| Unclaimed Dividend | 1.00 | 0.79 |
| Advance from Customer | 145.02 | 87.09 |
| Advance from Fellow Subsidiary | 2,581.17 | - |
| Capital Creditors | 1,643.73 | 2,710.67 |
| Other liabilities | 237.42 | 114.43 |
| | 8,771.71 | 5,564.05 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--------------------------------------|---------------|---------------|
| 3.9 SHORT-TERM PROVISIONS | | |
| Provision for Employee Benefits | 53.78 | 30.54 |
| Provision for Dividend | - | 110.00 |
| Income Tax on Provision for Dividend | - | 17.84 |
| | 53.78 | 158.38 |

Notes to Financial Statements

| 3.10 (a) | Gross Block (at cost) | | | | | Depreciation | | | Net Block | | Rs. Million |
|---------------------------------|-----------------------|--------------------------|-------------------------|------------------------|-----------------------|-----------------|-------------------------|------------------------|------------------------|------------------------|-------------|
| | As at 1 April 2011 | Additions /Adjustment | Deletion /Adjustment | As at 31 March 2012 | As at 1 April 2011 | For the year | Deletion /Adjustment | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 | |
| Tangible Assets | | | | | | | | | | | |
| Owned | | | | | | | | | | | |
| Land- Freehold | 13.08 | 0.49 | - | 13.57 | - | - | - | - | 13.57 | 13.08 | |
| Land- Leasehold | 146.51 | 31.86 | - | 178.37 | 10.95 | 2.00 | - | 12.95 | 165.42 | 135.56 | |
| Buildings | 738.87 | 263.24 | - | 1,002.11 | 83.68 | 26.13 | - | 109.81 | 892.30 | 655.19 | |
| Plant & Machinery | 8,196.74 | 91.62 | - | 8,288.36 | 1,407.58 | 439.23 | - | 1,846.81 | 6,441.55 | 6,789.16 | |
| Furniture & Fixtures | 41.90 | 53.19 | 11.12 | 83.97 | 21.39 | 6.71 | 10.01 | 18.09 | 65.88 | 20.51 | |
| Vehicles | 165.79 | 26.38 | 1.24 | 190.93 | 72.69 | 19.95 | 0.24 | 92.40 | 98.53 | 93.10 | |
| Leasehold (Jointly Held) | | | | | | | | | | | |
| Buildings | - | 129.08 | - | 129.08 | - | 12.91 | - | 12.91 | 116.17 | - | |
| Plant & Machinery | - | 15.42 | - | 15.42 | - | 1.54 | - | 1.54 | 13.88 | - | |
| Total | 9,302.89 | 611.28 | 12.36 | 9,901.81 | 1,596.29 | 508.47 | 10.25 | 2,094.51 | 7,807.30 | 7,706.60 | |
| 2010-11 | 9,251.21 | 52.59 | 0.91 | 9,302.89 | 1,115.29 | 481.58 | 0.58 | 1,596.29 | 7,706.60 | | |

| 3.10 (b) | Gross Block (at cost) | | | | | Depreciation | | | Net Block | | Rs. Million |
|--------------------------|-----------------------|--------------------------|-------------------------|------------------------|-----------------------|-----------------|-------------------------|------------------------|------------------------|------------------------|-------------|
| | As at 1 April 2011 | Additions /Adjustment | Deletion /Adjustment | As at 31 March 2012 | As at 1 April 2011 | For the year | Deletion /Adjustment | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 | |
| Intangible Assets | | | | | | | | | | | |
| Computer Software | 17.02 | 11.59 | - | 28.61 | 14.49 | 3.05 | - | 17.54 | 11.07 | 2.53 | |
| Total | 17.02 | 11.59 | - | 28.61 | 14.49 | 3.05 | - | 17.54 | 11.07 | 2.53 | |
| 2010-11 | 14.39 | 2.63 | - | 17.02 | 14.02 | 0.47 | - | 14.49 | 2.53 | | |

Note :

Pursuant to the Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs amending Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates" the Company has exercised the option and accordingly the exchange difference for the year ended 31 March 2012 pertaining to long term foreign currency monetary items to the extent of Rs.145.62 million has been added to the cost of depreciable capital asset. The same will be amortised from the year the relevant capital asset is capitalised over the balance useful life of such assets. Consequent to change in such accounting policy as aforesaid, the period end aggregate carrying amount of Capital Work-in-Progress is higher by Rs.145.62 million with a corresponding favorable impact on the loss for the year ended on 31 March 2012.

Notes to Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| 3.11 NON - CURRENT INVESTMENTS | | |
| Long Term Investments - At Cost - Trade - Unquoted | | |
| Investment in Equity Instruments | | |
| Investment in Subsidiaries | | |
| VISA BAO Limited | 591.50 | 591.50 |
| 59,150,000 Equity Shares of Rs.10/- each, fully paid up | | |
| [Including beneficial interest in 5 Equity Shares of Rs.10/- each, fully paid up] | | |
| Ghotaringa Minerals Limited | 8.90 | 8.90 |
| 890,000 Equity Shares of Rs.10/- each, fully paid up | | |
| [Including beneficial interest in 44,500 Equity Shares of Rs.10/- each, fully paid up] | | |
| Investment in Joint Venture (Refer Note 3.37) | 10.00 | 10.00 |
| VISA Urban Infra Limited | | |
| 1,000,000 Equity Shares of Rs.10/- each, fully paid up | | |
| | 610.40 | 610.40 |

Note: The Company has given undertaking to consortium bankers of subsidiary company VISA BAO Limited for sanctioning Rs.1,820 million term loan, by agreeing not to dispose off 51 % shares [i.e. 46,410,000 number of shares] of VISA BAO Limited.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-----------------|---------------|
| 3.12 LONG - TERM LOANS & ADVANCES | | |
| Unsecured Considered Good | | |
| Capital Advance | 376.29 | 417.10 |
| Security Deposits | 180.80 | 55.60 |
| Loans & Advances to related parties | | |
| Advances to Subsidiary : Ghotaringa Minerals Limited | 2.50 | 2.50 |
| Security Deposit with holding company: VISA Infrastructure Limited | 261.50 | 261.50 |
| Security Deposit with Enterprise having significant influence: VISA International Limited | 8.00 | 12.50 |
| Prepaid Expenses | 59.48 | 59.49 |
| MAT Credit Entitlement | 307.04 | 127.74 |
| | 1,195.61 | 936.43 |
| Maximum amount due at any time during the year; as per disclosure requirement of clause 32 of listing agreement : | | |
| Due by Subsidiary Company | 2.50 | 2.50 |
| Due by Holding Company | 261.50 | 261.50 |
| Due by Enterprise having significant influence | 12.50 | 12.50 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| 3.13 OTHER NON-CURRENT ASSETS | | |
| Margin Money with maturity more than 12 months | 76.69 | 75.77 |

Notes to Financial Statements

| | Rs. Million | |
|---|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.14 INVENTORIES | | |
| (Refer Note 2.5) | | |
| Raw Materials | 1,305.88 | 1,395.83 |
| Work-In-Progress | 75.25 | 70.92 |
| Finished Goods | 1,177.80 | 1,306.47 |
| Stock-in-Trade | 441.01 | 463.95 |
| Stores and Spares parts* | 256.74 | 203.29 |
| By-Products | 268.38 | 516.34 |
| | 3,525.06 | 3,956.80 |
| * Including Capital Items lying in stores | 38.97 | 41.89 |

| | Rs. Million | |
|--|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.15 TRADE RECEIVABLES | | |
| Unsecured | | |
| Debts Outstanding for a period exceeding six months | | |
| Considered Good | 36.98 | - |
| Considered Doubtful | 5.14 | 33.53 |
| Other Debts | | |
| Considered Good* | 478.83 | 479.86 |
| | 520.95 | 513.39 |
| Less: Provision for Doubtful Debts | 5.14 | 33.53 |
| | 515.81 | 479.86 |
| * Includes receivable from | | |
| Fellow Subsidiary | - | 101.79 |
| Enterprise over which Relatives of Key Managerial Personnel having significant influence | 1.28 | 1.12 |
| Holding Company | 15.73 | - |

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.16 CASH AND BANK BALANCES | | |
| (i) Cash and Cash equivalents | | |
| Balance with Banks in : | | |
| Current Account | 10.53 | 18.53 |
| Margin Money | 92.68 | 355.39 |
| Cash on hand | 0.76 | 0.40 |
| (ii) Other Bank balances | | |
| Earmarked Accounts : | | |
| Share Refund Order Account | 0.32 | 0.34 |
| Dividend Account | 1.00 | 0.79 |
| Margin Money with maturity more than 3 months but less than 12 months | 661.20 | 433.86 |
| | 766.49 | 809.31 |

Notes to Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| 3.17 SHORT-TERM LOANS AND ADVANCES | | |
| Unsecured, considered good unless otherwise stated | | |
| Security Deposits | - | 31.03 |
| Prepaid Expenses | 142.57 | 40.45 |
| For Supply of goods & rendering services | | |
| Considered Good | 285.80 | 470.33 |
| Considered Doubtful | 13.95 | 18.14 |
| Less: Provision for Doubtful Advances | (13.95) | (18.14) |
| Loans & Advance to related parties | | |
| Advances to Key Managerial Personnel ** | 34.44 | - |
| Advances to Holding Company | 30.65 | 20.80 |
| Advance Payment of Income Tax | 150.34 | 98.89 |
| [Net of Provision Rs.463.07 million (2011: Rs 463.07 million)] | | |
| Others Taxes receivable / adjustable | 383.70 | 367.56 |
| Less: Provision for Other Taxes receivable / adjustable | (7.80) | (7.80) |
| | 1,019.70 | 1,021.26 |
| Due by a Private Company in which a Director is a Director | - | 1.21 |

** Excess Remuneration paid to managerial personnel during the year is subject to the approval by the Central Government. Pending such approval excess remuneration paid to managerial personnel amounting to Rs.34.44 million is being held by them in trust for the Company.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.18 OTHER CURRENT ASSETS | | |
| Receivable from DGFT & Customs towards Export Incentive | 16.74 | 53.21 |
| Interest Accrued on Deposits*** | 32.15 | 19.35 |
| | 48.89 | 72.56 |
| *** Includes amount receivable from Subsidiary | 0.28 | - |

3.19 CONTINGENT LIABILITIES

(a) Claim against the Company not acknowledged as debt:

- (i) In respect of a charter party dispute between VISA Comtrade (Asia) Limited (the "Charterer") and Transfield Shipping Inc., Panama, (the "Owner of the vessel- Prabhu Gopal") the said Owner of the vessel has filed a civil suit in the Hon'ble Calcutta High Court against the Company and the charterer and claimed the relief for a decree for US\$ 0.30 million to be expressed in Indian Currency at such rate of exchange and / or on such terms as the Court may deem fit and proper, Injunction, Costs or other reliefs. The Company has not accepted the claim as it was not a party to the said Agreement and hence cannot be made a party to this suit. The Hon'ble Calcutta High Court passed interim order dated 11 May 2005 and 20 June 2005, restraining the Company and the Charterer from withdrawing any amount from a specified bank account without leaving a balance for a sum of Rs.12.50 million, which has been set aside by the bank from the cash credit limit of the Company. The company has been legally advised that the above interim order has been expired due to efflux of time and has not been extended by the Hon'ble Calcutta High Court.

Notes to Financial Statements

- (ii) Applications have been filed by the legal heirs of a deceased employee of the Company, who died in a road accident while travelling in the Company's vehicle for his personal work, claiming a compensation of Rs.6.10 million and interest @ 18% per annum. The Company has contested the claim, which is currently pending before the Motor Accident Claims Tribunal, Bhubaneswar.

Application filed by the legal heirs of the sister of the deceased employee who died with him, has been disposed off by the Additional District Judge Cum 3rd Motor Accident Claims Tribunal, Rourkela on 25 November, 2011 directing the New India Assurance Co. Ltd to pay Rs.0.18 million with interest 9% p.a. from the date of application till the date of payment. An appeal has been filed by the New India Assurance Co. Ltd before the Hon'ble High Court of Orissa in May 2012 against such order.

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| (b) Guarantees | | |
| (i) Bank Guarantee | 56.77 | 56.77 |
| (ii) Corporate Guarantee issued on behalf of Subsidiary Company | 720.00 | - |
| (c) Other money for which company is contingently liable | | |
| (i) Income Tax matter on Appeal | 63.63 | 63.63 |
| (ii) Sales Tax matter on Appeal | 47.22 | 74.24 |
| (iii) Value Added Tax matter on Appeal | - | 20.37 |
| (iv) Entry Tax matters | 178.42 | 170.01 |
| (v) Customs Duty matter on Imported Goods | 34.86 | 34.86 |

| | Rs. Million | |
|--|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.20 CAPITAL AND OTHER COMMITMENTS: | | |
| (a) Capital Commitments | | |
| Estimated amount of Contracts remaining to be executed on Capital Account (Net of advance of Rs.376.29 million, 2011: Rs.417.10 million) | 611.52 | 1,298.91 |

(b) Other Commitments

The Company has obtained licenses from the Government of India under EPCG Scheme for import of machineries at a reduced Customs Duty and thereby saved an amount of Rs.388.35 million towards duty upto 31 March 2012 (2011 : Rs.384.40 million). As per the requirement under the said Scheme, the Company is required to export amounting to Rs.2,989.69 million (2011: Rs.2,986.46 million) within the specified periods, failing which, the Company has to make payment to the Government of India equivalent to the duty benefit enjoyed along with interest. The Company is confident that the above export obligation will be met during the specified period.

| | Rs. Million | |
|--------------------------------|---------------|-------------------|
| | 31 March 2012 | 31 March 2011 |
| 3.21 PROPOSED DIVIDEND | | |
| On Equity Shares of Rs.10 each | | |
| Amount of dividend proposed | - | 110.00 |
| Dividend per equity share | - | Rs 1.00 per share |

Notes to Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|-------------------------------|------------------|------------------|
| 3.22 SALE OF PRODUCTS | | |
| Sale of Finished Goods | | |
| Pig Iron | 1,826.19 | 835.02 |
| Chrome Concentrate | - | 71.66 |
| LAM Coke | 5,659.30 | 4,803.18 |
| Ferrochrome | 1,415.88 | 2,518.25 |
| Sponge Iron | 2,890.01 | 2,277.92 |
| Bloom / Round | 1,141.04 | - |
| Rolled Product | 180.72 | - |
| By-products | 602.12 | 590.08 |
| Power | 564.22 | 77.00 |
| Total | 14,279.48 | 11,173.11 |
| Sale of Stock-in-Trade | | |
| Coal & Coke | 1,620.46 | 2,230.99 |
| Quick Lime | 0.84 | - |
| Total | 1,621.30 | 2,230.99 |
| Less: Trial Run Sale | 1,625.04 | - |
| Sale of products | 14,275.74 | 13,404.10 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--------------------------------------|---------------|---------------|
| 3.23 OTHER OPERATING REVENUES | | |
| Scrap sales | 8.38 | 38.56 |
| Conversion Income | 126.38 | 83.21 |
| Export Incentives | 28.20 | 55.61 |
| | 162.96 | 177.38 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.24 OTHER INCOME | | |
| Insurance claim received | 8.75 | 40.81 |
| Interest Income | 240.03 | 137.67 |
| Net Gain / (Loss) from sale of Fixed asset | 8.25 | - |
| Liabilities no longer required written back | - | 22.17 |
| Provisions no longer required written back | - | 23.34 |
| Other non operating income | 2.88 | 6.07 |
| | 259.91 | 230.06 |

Notes to Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---------------------------------------|------------------|-----------------|
| 3.25 COST OF MATERIAL CONSUMED | | |
| Chrome Ore | 608.95 | 1,179.15 |
| Iron Ore | 2,688.37 | 1,712.34 |
| Coke | 11.80 | 59.38 |
| Coal | 7,701.40 | 5,082.62 |
| Others | 219.66 | 130.05 |
| | 11,230.18 | 8163.54 |
| Less: Trial Run Consumption | 848.37 | 153.85 |
| | 10,381.81 | 8,009.69 |

Rs. Million

| | 31 March 2012 | | 31 March 2011 | |
|--|---------------|------------------|---------------|-----------------|
| 3.26 DETAILS OF INDIGENOUS AND IMPORTED RAW MATERIAL CONSUMED | | | | |
| Indigenous | 36 % | 3,783.25 | 43 % | 3,462.43 |
| Imported | 64 % | 6,598.56 | 57 % | 4,547.26 |
| | 100% | 10,381.81 | 100% | 8,009.69 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| 3.27 PURCHASES OF STOCK-IN-TRADE | | |
| Coal & Coke | 2,403.34 | 2,397.26 |
| Billets | 36.27 | - |
| Quick Lime | 1.72 | - |
| | 2,441.33 | 2,397.26 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-------------------|-----------------|
| 3.27 (a) Changes In Inventory of Finished Goods, Work-in-Progress and Stock-In-Trade | | |
| Opening Stock | | |
| Finished Goods | 1,306.47 | 886.40 |
| Stock-In-Trade | 463.95 | 258.57 |
| By-Products | 516.34 | 345.02 |
| Work-in-Progress | 70.92 | 42.82 |
| | 2,357.68 | 1,532.81 |
| Less: Closing Stock | | |
| Finished Goods | 1,177.80 | 1,306.47 |
| Stock-In-Trade | 441.01 | 463.95 |
| By-Products | 268.38 | 516.34 |
| Work-in-Progress | 75.25 | 70.92 |
| | 1,962.44 | 2,357.68 |
| Transfer to Project | (1,756.73) | - |
| Increase / (Decrease) in Excise Duty on Stock | (48.96) | 79.19 |
| Increase / (Decrease) in Stock | (1,410.45) | (745.68) |

Notes to Financial Statements

| | | Rs. Million | |
|-----------------|---|-----------------|-----------------|
| | | 31 March 2012 | 31 March 2011 |
| 3.27 (b) | Details of Finished Goods ,Work-In-Progress and Stock-In-Trade | | |
| | Opening Stock | | |
| | Finished Goods | | |
| | Pig Iron | 293.19 | 34.73 |
| | LAM Coke | 724.49 | 613.93 |
| | Ferrochrome | 119.92 | 38.20 |
| | Sponge Iron | 168.52 | 61.03 |
| | Chrome Powder & Chrome Concentrate | 0.35 | 138.51 |
| | Billets | - | - |
| | Total | 1,306.47 | 886.40 |
| | By-Products | 516.34 | 345.02 |
| | Work-in-Progress | | |
| | Intermediary Coke | 26.74 | 20.11 |
| | Chrome Briquette | 40.48 | 19.00 |
| | Washery Coal | 3.70 | 3.70 |
| | Total | 70.92 | 42.81 |
| | Stock-in-trade | | |
| | Coal & Coke | 463.95 | 258.57 |
| | Total | 463.95 | 258.57 |
| | Closing Stock | | |
| | Finished Goods | | |
| | Pig Iron | 39.67 | 293.19 |
| | LAM Coke | 988.45 | 724.49 |
| | Ferrochrome | 58.76 | 119.92 |
| | Sponge Iron | 89.51 | 168.52 |
| | Chrome Powder | 0.35 | 0.35 |
| | Billets | 1.06 | - |
| | Total | 1,177.80 | 1,306.47 |
| | By-Products | 268.38 | 516.34 |
| | Work-in-Progress | | |
| | Intermediary Coke | 52.66 | 26.74 |
| | Chrome Briquette | 18.89 | 40.48 |
| | Washery Coal | 3.70 | 3.70 |
| | Total | 75.25 | 70.92 |
| | Stock-in-trade | | |
| | Coal & Coke | 441.01 | 463.95 |
| | Total | 441.01 | 463.95 |

Notes to Financial Statements

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.28 EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and Wages | 364.48 | 402.28 |
| Contribution to Provident & Other Funds | 12.04 | 21.96 |
| Staff Welfare Expenses | 3.78 | 5.20 |
| | 380.30 | 429.44 |

3.28 (a) Employee Benefits

The Company maintains provident fund with Regional Provident Fund Commissioner, contributions are made by the Company to the Fund, based on the current salaries. In the provident fund schemes, contribution are also made by the employees. An amount of Rs.8.68 million (2011: Rs.15.94 million) has been charged to the Statement of Profit and Loss on account of the above defined contribution schemes.

The Company operates defined benefit schemes like gratuity and leave encashment . The Company has taken out a policy with Life Insurance Corporation of India (LICI) for future payment of gratuity liability to its employees. Annual actuarial valuations are carried out by LICI in compliance with Accounting Standard 15 (revised 2005) on "Employee Benefits". Annual contributions are also made by the Company. Employees are not required to make any contribution.

| | Rs. Million | |
|--|---------------|---------------|
| | Gratuity | |
| | 31 March 2012 | 31 March 2011 |
| (I) Amount recognised in the Balance Sheet are as follows: | | |
| Present value of funded obligation | 15.26 | 11.47 |
| Fair Value of Plan Assets | 19.01 | 16.34 |
| | (3.75) | (4.87) |
| Unrecognised past service cost | - | - |
| Present value of un-funded obligation | - | - |
| Net (Asset) / Liability | (3.75) | (4.87) |
| (II) Amount recognised in the Statement of Profit and Loss and charged to Salaries, Wages & Bonus and Contribution to Provident & Other Funds under Note 3.28 are as follows: | | |
| Current Service cost | 3.74 | 3.27 |
| Interest cost | 0.92 | 0.67 |
| Expected Return on Plan Assets | (1.50) | (1.13) |
| Net actuarial loss / (gain) recognised during the year | (0.52) | (0.41) |
| Total | 2.64 | 2.40 |
| (III) Reconciliation of opening and closing balances of the present value of the obligations: | | |
| Opening defined benefit obligation | 11.47 | 8.36 |
| Current Service cost | 3.74 | 3.27 |
| Interest cost | 0.92 | 0.67 |
| Actuarial loss / (gain) | (0.52) | (0.41) |
| Benefits paid | (0.35) | (0.42) |
| Closing Defined Benefit Obligation | 15.26 | 11.47 |
| (IV) Reconciliation of opening and closing balances of the fair value of plan assets: | | |
| Opening fair value of Plan Assets | 16.34 | 12.47 |

Notes to Financial Statements

Rs. Million

| Gratuity | | |
|--|--------------------------------|--------------------------------|
| | 31 March 2012 | 31 March 2011 |
| Expected Return on Plan Assets | 1.50 | 1.13 |
| Contributions by employer | 1.52 | 3.16 |
| Benefits paid | (0.35) | (0.42) |
| Closing Fair Value on Plan Assets | 19.01 | 16.34 |
| Actual Return on Plan Assets [Plan Assets consist of funds maintained with LICI for gratuity scheme] | 0.98 | 0.72 |
| (V) Principal Actuarial Assumption Used: | | |
| Discount Rates | 8.00 % | 8.00 % |
| Expected Return on Plan Assets | 8.00 % | 8.00 % |
| Expected Salary increase rates | 4.50 % | 4.75 % |
| Mortality Rates | LIC (1994-96) mortality tables | LIC (1994-96) mortality tables |
| (VI) Investment Details of Plan Assets (% allocation) | | |
| Insurer managed funds | 100 % | 100 % |

Current Pattern of investment as per IRDA Guidelines are as under:-

| Sr. No | Type of Investment | Percentage |
|--------|---|--------------------|
| 1 | Government Securities, being not less than | 20 % |
| 2 | Government Securities or other approved Securities (inclusive (1) above, being not less than) | 40 % |
| 3 | Balance to be invested in approved investment as specified in Schedule I. | Not exceeding 60 % |

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investments of the funds during the estimated terms of the obligations.

The contribution expected to be made by the Company for the year ending 31 March 2013 cannot be readily ascertainable and therefore not disclosed.

| | 31-Mar-12 | 31-Mar-11 | 31-Mar-10 | 31-Mar-09 | 31-Mar-08 |
|--|-----------|---------------|---------------|---------------|---------------|
| (VII) Experience Adjustment | | | | | |
| Defined Benefit Obligation | 15.26 | 11.47 | 8.36 | 6.50 | 4.63 |
| Plan Assets | 19.01 | 16.34 | 12.47 | 9.29 | 6.81 |
| Surplus / (Deficit) | (3.75) | (4.87) | (4.11) | (2.79) | (2.18) |
| Experience Adjustments on Plan Liabilities | (0.67) | Not available | Not available | Not available | Not available |
| Experience Adjustments on Plan Assets | 0.09 | Not available | Not available | Not available | Not available |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---------------------------|-----------------|-----------------|
| 3.29 FINANCE COSTS | | |
| Interest expense | 933.81 | 645.91 |
| Other borrowing costs | 962.87 | 383.58 |
| | 1,896.68 | 1,029.49 |

The amount of finance cost capitalised for qualifying assets during the financial year 2011-12 is Rs.1,335.64 million (2010-11: Rs.850.45 million)

Notes to Financial Statements

| | Rs. Million | |
|---|-----------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.30 OTHER EXPENSES | | |
| Consumption of Stores and Spare Parts | 252.36 | 178.88 |
| Power & Fuel | 29.26 | 91.02 |
| Rent | 17.27 | 26.96 |
| Repairs to buildings | 2.84 | 3.24 |
| Repairs to machinery | 44.02 | 52.68 |
| Insurance expenses | 26.02 | 18.99 |
| Rates and taxes, excluding, taxes on income | 35.91 | 15.22 |
| Material handling expenses | 203.07 | 165.09 |
| Freight and selling expenses | 219.56 | 229.25 |
| Loss on exchange fluctuation (Net) * | - | 7.53 |
| Miscellaneous expenses written off | - | 24.55 |
| Miscellaneous expenses** | 235.04 | 186.24 |
| | 1,065.35 | 999.65 |

* In view of high volatility in the value of Indian Rupee against US\$ and other foreign currencies, the loss arising out of the reinstatement of foreign currency monetary items during the current financial year amounting Rs.617.27 million (2011: Rs. Nil) has been considered as an exceptional item.

** Miscellaneous expenses of current year is net off provision written back for bad & doubtful debts Rs.31.84 million and for doubtful advances Rs.10.52 million and also includes current year provision for bad and doubtful debt Rs.3.45 million and for advances Rs.6.34 million.

| | Rs. Million | | | |
|--|---------------|-----------------|---------------|-----------------|
| | 31 March 2012 | | 31 March 2011 | |
| 3.31 (a) Stores and Spares Consumed | | | | |
| Indigenous | 99% | 249.22 | 100% | 178.88 |
| Imported | 1% | 3.14 | 0% | - |
| | 100% | 252.36 | 100% | 178.88 |
| (b) CIF Value of Imports | | | | |
| Raw Material | | 3,632.74 | | 3,747.43 |
| Finished Goods | | 1,336.37 | | 1,839.25 |
| Capital Goods | | 147.11 | | 2,000.58 |
| | | 5,116.22 | | 7,587.26 |
| (c) Expenditure in Foreign Currency | | | | |
| Travelling | | 5.30 | | 6.71 |
| Interest | | 85.66 | | 61.36 |
| Others | | 7.78 | | 1.16 |
| | | 98.74 | | 69.23 |
| (d) Earning in Foreign Currency | | | | |
| Export Sales | | 808.82 | | 2,194.52 |
| (e) Payment to Auditor | | | | |
| Audit Fees | | 1.25 | | 1.10 |
| Tax Audit Fees | | 0.15 | | 0.15 |
| Other Services | | 1.07 | | 0.75 |
| Re-imbursement of expenses | | 0.07 | | 0.11 |
| | | 2.54 | | 2.11 |

Notes to Financial Statements

| | Rs. Million | |
|--|----------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.32 EARNING PER SHARE | | |
| (Loss) / Profit after tax (A) | (1,188.54) | 513.77 |
| Weighted average number (in million) of Rs.10 equity share outstanding during the year (B) | 110.00 | 110.00 |
| Basic and Diluted Earning per Share (A/B) (Rs.) | (10.80) | 4.67 |

3.33 SHARE - BASED COMPENSATION

The shareholders of the Company in the Annual General Meeting held on 17 August, 2010, has approved an Employee Stock Option Scheme 2010 (the "ESOP Scheme 2010"), formulated by the Company, under which the Company may issue 5,500,000 options to its permanent employees and directors of the Company, its subsidiaries and its holding company, as determined by the Remuneration Committee on its own discretion and in accordance with the SEBI Guidelines.

Each option when exercised would be converted into one fully paid - up equity share of Rs.10/- each of the Company. The ESOP Scheme 2010 is administered by the Remuneration Committee of the Board of Directors of the Company ("the Committee"). Under the ESOP Scheme 2010, the Committee had granted 900,000 options to its eligible employees during the year ended 31 March 2011. During the current year the Company has not granted any new options. The following share-based payment arrangements were in existence during the reporting period.

| Particulars | ESOP Scheme 2010 |
|---------------------------------|--|
| Number of Options Granted | 900,000 |
| Grant Date | 4 February, 2011 |
| Vesting Plan | Graded vesting - between 12.5% & 25% based on continuity & performance |
| Vesting Period | Not earlier than one year and not later than five years from the date of grant of the options in one or more tranches. |
| Exercise Period | 3 years from the date of vesting |
| Exercise Price (Rs. per Option) | 46.30 |
| Method of Accounting | Intrinsic Value |

Movement of Options Granted

The movement of the options for the year ended 31 March, 2012 is given below:

| Particulars | Stock Options (Number) | Range of exercise Prices (Rs) | Weighted Average | |
|--|------------------------|-------------------------------|---------------------|-----------------------------|
| | | | Exercise Price (Rs) | Remaining Contractual Years |
| Outstanding at the beginning of the year | 900,000 | 46.30 | 46.30 | 6 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Lapsed during the year | 126,875 | 46.30 | 46.30 | - |
| Outstanding at the end of the year | 773,125 | 46.30 | 46.30 | 5 |
| Exercisable at the end of the year | 191,875 | - | - | 2 years & 10 months |

During the year 197,344 number of Options were vested.

Notes to Financial Statements

Fair Valuation:

At grant date, the estimated fair value of stock options granted was Rs.19.56. The fair valuation was carried out by an independent valuer using Black & Scholes model. The various inputs and assumptions considered in the pricing model at grant date for the stock options granted under ESOP Scheme 2010 are as under.

| Particulars | Tranche I |
|--|------------------|
| Number of options granted | 900,000 |
| Grant Date | 4 February, 2011 |
| Risk Free interest rate (%) | 7.86 - 8.00 |
| Option Life (Years) | 2.5 - 5.5 |
| Expected Volatility (%) | 54.42 - 55.30 |
| Expected Dividend Yield (%) | 2.77 |
| Share price at options grant date (Rs) | 46.30 |

Had the compensation cost for the stock options granted been recognised based on fair value at the date of grant in accordance with Black & Scholes Model, the proforma amount of net profit and earnings per share of the Company would have been as under:

| | Rs. Million | |
|---|-------------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Net (Loss) / Profit attributable to Equity shareholders | (1,188.54) | 513.77 |
| Less: Compensation cost under ESOP as per Fair Value | 7.10 | 1.40 |
| Proforma (Loss) / Profit before Tax adjustment for earlier years | (1,195.64) | 512.37 |
| Weighted average number of Basic equity shares outstanding | 110.00 | 110.00 |
| Weighted average number of Diluted equity shares outstanding | 110.88 | 110.14 |
| Face Value of Equity Shares | 10.00 | 10.00 |
| Reported Earning per Share(EPS) | | |
| Basic EPS (in Rs) | (10.80) | 4.67 |
| Diluted EPS (in Rs) | (10.80) | 4.67 |
| Proforma Earning per Share (EPS) | | |
| Basic EPS (in Rs) | (10.87) | 4.66 |
| Diluted EPS (in Rs) | (10.87) | 4.66 |

In Million

| | 31 March 2012 | | | 31 March 2011 | |
|---|---------------|-------|----------|---------------|----------|
| 3.34 DETAILS OF FOREIGN CURRENCY EXPOSURE | Currency | F.C | INR | F.C | INR |
| Unhedged Portion as on Balance Sheet Date | | | | | |
| a) Trade Receivable | US\$ | 0.83 | 42.32 | 1.41 | 62.87 |
| b) Trade Payable | US\$ | 81.08 | 4,147.82 | 39.81 | 1,777.35 |
| | Euro | 15.01 | 1,025.47 | 1.75 | 110.57 |
| | CHF | - | - | 0.09 | 4.37 |
| c) Short-Term Finance | US\$ | 3.26 | 166.68 | 0.25 | 11.31 |
| Hedged by Forward Contracts as on Balance Sheet Date | | | | | |
| a) Trade Payable | US\$ | 2.20 | 111.54 | 47.35 | 2,179.06 |
| | Euro | 1.15 | 79.87 | 14.41 | 847.42 |
| b) Short Term Finance | US\$ | - | - | 2.50 | 112.62 |

3.35 As the Company's business activity falls within a single business segment, viz. "Iron & Steel products", the disclosure requirements of Accounting Standard (AS-17) on "Segment Reporting", notified by the Companies (Accounting Standards) Rules, 2006, are not applicable.

Notes to Financial Statements

3.36 The Company has incurred a net loss of Rs.1,188.54 million during the year ended 31 March 2012 and as of that date the Company's current liabilities exceeded its current assets by Rs.15,111.77 million. The Company has approached the Lenders to restructure its debt profile to convert majority of their short-term loan to long-term loan, which has already been agreed in principle by all the banks and the approval is under process. The Company has prepared the financial statements on the basis of going concern assumption.

3.37 INVESTMENT IN JOINT VENTURE

The Company has invested in VISA Urban Infra Limited vide the consortium agreement with VISA Infrastructure Limited and VISA Realty Limited to start up a project of star hotel and convention centre at Naya Raipur, Chhatisgarh.

| | |
|---|--------------------------|
| Joint Venture | VISA Urban Infra Limited |
| Country of Incorporation | India |
| % of Ownership Interest as at 31 March 2012 | 26.00% |

The Company's interests in the joint venture is reported as Long-Term Investment in Note no 3.11 and stated at cost. However, the Company's share of each of the assets and liabilities etc. (each without elimination of the effect of transactions between the Company and the joint venture) based solely on the accounts prepared for the internal management reporting purposes to assess the performance of the joint venture related to its interest in the Joint Venture are:

| | Rs. Million | |
|--------------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Income | - | 0.01 |
| Expenses | 0.04 | 0.01 |
| Assets | 14.90 | 11.32 |
| Liabilities | 4.94 | 1.32 |

3.38 OPERATING LEASES

The Company has lease agreement for various premises which are in the nature of operating lease. The lease arrangement range for a period between 3 years to 10 years which are cancellable lease. There is no obligation for renewal of these lease agreements and are renewable by mutual consent.

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| With respect to all operating lease | | |
| Lease payments recognised in the Statement of Profit and Loss during the year | 4.23 | 9.75 |

3.39 DEFERRED TAX LIABILITIES (NET)

Deferred Tax Provision has been made in the accounts in accordance with the requirements of the Accounting Standard on "Taxes on Income" (AS 22) issued by The Institute of Chartered Accountants of India. The major components of the Deferred Tax Liabilities / (Assets) based on the tax effects of timing differences are as follows:

| | Rs. Million | |
|--|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| Deferred Tax Liabilities | | |
| Depreciation | 858.78 | 784.02 |
| | 858.78 | 784.02 |
| Deferred Tax Assets | | |
| Unabsorbed Depreciation | (444.22) | (153.67) |
| Unabsorbed Business Loss Carried Forward | (375.64) | - |
| Others | (38.92) | (33.34) |
| | (858.78) | (187.01) |
| Deferred Tax Liabilities (Net) | - | 597.01 |

As a matter of prudence, deferred tax assets have been recognised only to the extent of the deferred tax liability.

Notes to Financial Statements

| 3.40 (a) Related Party Disclosures | |
|--|---|
| Nature of Relationship | Name of the Related Parties |
| Holding Company | VISA Infrastructure Limited |
| Subsidiaries | Ghotaringa Minerals Limited |
| | VISA BAO Limited |
| Joint Venture Company | VISA Urban Infra Limited |
| Enterprise having significant influence | VISA International Limited |
| Fellow Subsidiaries | VISA Aluminium Limited |
| | VISA Cement Limited |
| | VISA Resources India Limited (Formerly Known as VISA Comtrade Limited) |
| | VISA Power Limited |
| | VISA Power Trading Company Limited |
| | VISA Power (Jharkand) Pvt Limited |
| | VISA Power (Orissa) Pvt Limited |
| | VISA Energy Ventures Limited |
| Key Managerial Personnel | Mr. Vishambhar Saran (Chairman) |
| | Mr. Vishal Agarwal (Managing Director) |
| | Mr. Basudeo Prasad Modi (Deputy Managing Director upto 31 March 2012) |
| | Mr. Prabir Ramendralal Bose (Deputy Managing Director w.e.f 1 April 2012) |
| Relatives of Key Managerial Personnel | Mrs. Saroj Agarwal (Wife of Chairman) |
| | Mr. Vikas Agarwal (Son of Chairman) |
| | Mr. Ashok Agarwal (Brother of Chairman) |
| Enterprise over which Relatives of Key Managerial Personnel having significant influence | VISA Minmetal Limited |
| | VISA Realty Limited |
| | VISA Aviation Limited |
| | VISA Resources Pte Limited |
| | VISA Bulk Shipping Pte Limited |
| | Tastebuds Gourmet Foods Private Limited |
| | VISA Trust |

Notes to Financial Statements

3.40 (b) Details of Transactions with Related Parties

Disclosure in respect of transactions in excess of 10% of the total related party transactions of the same type

| Rs. Million | | | |
|---|--------------------------------|---------------|---------------|
| Nature of Transactions | Name of the related Party | 31 March 2012 | 31 March 2011 |
| Rent Paid | VISA International Limited | 7.21 | 7.21 |
| | VISA Infrastructure Limited | 4.23 | 3.59 |
| Purchase of Goods | VISA Resources India Limited | 3,474.04 | 1,181.47 |
| Sale of Goods | VISA Resources India Limited | 1,839.55 | 1,339.62 |
| | VISA Resources Pte Limited | - | 1,254.61 |
| Freight paid for Purchase of Goods | VISA Bulk Shipping Pte Limited | 622.91 | 570.73 |
| | VISA Resources India Limited | 29.95 | 66.03 |
| Purchase of Fixed Assets | VISA Resources India Limited | 5.42 | - |
| Hire Charges | VISA Resources India Limited | 16.08 | 50.88 |
| Professional Fees | VISA Infrastructure Limited | 13.24 | 11.25 |
| Interest Income | VISA Resources India Limited | - | 36.18 |
| | Ghotaringa Minerals Limited | 0.28 | 0.12 |
| Finance Cost | VISA Power Limited | 17.50 | 17.48 |
| | VISA Infrastructure Limited | 20.12 | - |
| | VISA Resources India Limited | 67.04 | - |
| Travelling Expenses | VISA Aviation Limited | 71.71 | 2.04 |
| Sitting Fees | Mrs. Saroj Agarwal | 0.04 | 0.08 |
| | Mr. Vikas Agarwal | 0.16 | 0.17 |
| Remuneration | Mr. Vishambhar Saran | 4.48 | 27.49 |
| | Mr. Vishal Agarwal | 4.15 | 22.16 |
| | Mr. Basudeo Prasad Modi | 2.79 | 6.15 |
| Investment made | VISA Urban Infra Limited | - | 10.00 |
| Sale of Fixed assets | VISA Power Limited | - | 0.33 |
| Reimbursement of Expenses (Net) | VISA Infrastructure Limited | 9.17 | 20.80 |
| | VISA BAO Limited | 4.35 | 3.36 |
| | VISA Resources India Limited | 24.10 | 0.29 |
| | VISA Urban Infra Limited | - | 6.65 |
| Advance Received against CWIP | VISA Power Limited | - | 160.00 |
| | VISA Resources India Limited | - | 80.00 |
| Advance Received | VISA Resources India Limited | 2,581.17 | - |
| Security Deposit Given | VISA Infrastructure Limited | - | 260.00 |
| Received Advance towards facility sharing | VISA BAO Limited | 393.60 | - |
| Refund of Deposits | VISA International Limited | 4.50 | 7.50 |
| Unsecured Loan Given | Ghotaringa Minerals Limited | - | 2.50 |
| Unsecured Loan Taken | VISA Infrastructure Limited | 506.40 | - |

Notes to Financial Statements

3.40 (c) Details of Transactions with Related Parties

| 3.40 (c) Details of Transactions with Related Parties | | | | | | | | | | | | | | Rs. Million | | | |
|--|-----------------|--------------------|-----------------------|---------------------|---|--------------------------|---------------------------------------|--|-----------------|--------------------|-----------------------|---------------------|---|--------------------------|---------------------------------------|--|----------|
| Nature of Transaction | 31 March 2012 | | | | | | | 31 March 2011 | | | | | | | | | |
| | Holding Company | Subsidiary Company | Joint Venture Company | Fellow Subsidiaries | Enterprise having significant influence | Key Managerial Personnel | Relatives of Key Managerial Personnel | Enterprise over which Relatives of Key Managerial Personnel having significant influence | Holding Company | Subsidiary Company | Joint Venture Company | Fellow Subsidiaries | Enterprise having significant influence | Key Managerial Personnel | Relatives of Key Managerial Personnel | Enterprise over which Relatives of Key Managerial Personnel having significant influence | |
| Rent Paid | 4.23 | - | - | - | 7.21 | - | - | - | 3.59 | - | - | - | - | 7.21 | - | - | - |
| Hire Charges | - | - | - | 16.08 | - | - | - | - | - | - | - | 50.88 | - | - | - | - | - |
| Professional Fees | 13.24 | - | - | - | - | - | - | - | 11.25 | - | - | - | - | - | - | - | - |
| Purchase of Goods | - | - | - | 3,474.04 | - | - | - | 338.16 | - | - | - | 1,181.47 | - | - | - | - | - |
| Freight for the above | - | - | - | 29.95 | - | - | - | 622.91 | - | - | - | 66.03 | - | - | - | - | 575.49 |
| Sale of Goods | 0.28 | - | - | 1,839.55 | 191.45 | - | - | - | - | - | - | 1,339.62 | 0.62 | - | - | - | 1,254.61 |
| Travelling Expenses | - | - | - | - | - | - | - | 71.71 | - | - | - | - | - | - | - | 1.08 | 2.04 |
| Purchase of Fixed Assets | - | - | - | 5.42 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Income | - | 0.28 | - | - | - | - | - | - | - | 0.12 | - | 36.18 | - | - | - | - | - |
| Finance Cost | 20.12 | - | - | 84.54 | - | - | - | - | - | - | - | 17.48 | - | - | - | - | - |
| Investment made | - | - | - | - | - | - | - | - | - | - | 10.00 | - | - | - | - | - | - |
| Re-imbursement of expenses (Net) | 9.17 | 4.35 | - | 23.04 | 0.07 | - | - | 0.13 | 20.80 | 3.36 | 6.65 | 0.78 | 0.04 | - | - | - | 0.05 |
| Unsecured Loan Given | - | - | - | - | - | - | - | - | - | 2.50 | - | - | - | - | - | - | - |
| Unsecured Loan Taken | 506.40 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Advance Received | - | - | - | 2,581.17 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security Deposits Given | - | - | - | - | - | - | - | - | 260.00 | - | - | - | - | - | - | - | - |
| Received Advance | - | 393.60 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| towards facility sharing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Refund of Deposits | - | - | - | - | 4.50 | - | - | - | - | - | - | - | 7.50 | - | - | - | - |
| Remuneration | - | - | - | - | - | 11.42 | - | - | - | - | - | - | - | - | 55.80 | - | - |
| Sitting Fees | - | - | - | - | - | - | 0.20 | - | - | - | - | - | - | - | - | 0.25 | - |
| Outstanding at closing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debit | - | - | 10.00 | - | 7.89 | 34.03 | 0.60 | - | 282.30 | - | 10.00 | - | 12.50 | - | - | - | - |
| Credit | 198.52 | 786.85 | - | 6,588.57 | - | - | - | 781.21 | - | 387.75 | - | 974.68 | - | - | - | - | 376.60 |

Notes to Financial Statements

3.41 PREVIOUS YEAR FIGURES

The Financial Statements for the year ended 31 March 2011 had been prepared as per the then applicable ,pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to confirm to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

Prabal Sarkar
Partner
Membership Number 52340

Place: Kolkata
Date: 25 May 2012

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Cash Flow Statement for the year ended 31 March, 2012

| | Rs. Million | |
|--|-------------------|-------------------|
| | 31 March 2012 | 31 March 2011 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax | (1,964.85) | 864.55 |
| Adjusted for : | | |
| Depreciation | 511.52 | 482.05 |
| Finance Costs | 1,896.68 | 1,029.49 |
| Interest Income | (240.03) | (137.66) |
| Provision for Bad & Doubtful Debts | 3.45 | 33.53 |
| Provision for Doubtful Advances | 6.34 | 18.14 |
| Liabilities no longer required written back | - | (22.17) |
| Provision for Doubtful Debts / Advances written back | (42.36) | (23.34) |
| (Profit) / Loss on sale of Fixed Assets | (8.25) | - |
| Miscellaneous Expenses Written off | - | 24.55 |
| Unrealised Forex Loss / (Gain) [Net] | 574.98 | (192.36) |
| Operating Profit before working capital changes | 737.48 | 2,076.78 |
| Adjustments for changes in working capital | | |
| (Increase) / Decrease in Trade and other receivables | (33.00) | 123.62 |
| (Increase) / Decrease in Inventories | 431.73 | (569.37) |
| (Increase) / Decrease in Trade and other Payables | 4,370.20 | 1,424.75 |
| Cash generated from Operations | 5,506.41 | 3,055.78 |
| Direct Taxes paid | (51.45) | (150.99) |
| Net Cash from Operating Activities | 5,454.96 | 2,904.79 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets / Capital Work in Progress | (6,071.66) | (4,646.22) |
| (Increase) / Decrease in Capital Advances | 40.81 | 167.00 |
| Proceeds from Sale of Fixed Assets | 10.36 | 0.33 |
| Purchase of Investments | - | (10.00) |
| Increase in Margin Money | (228.26) | (150.87) |
| Interest received | 227.23 | 136.45 |
| Net Cash used for Investing Activities | (6,021.52) | (4,503.31) |

Cash Flow Statement for the year ended 31 March, 2012

| | Rs. Million | |
|---|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Long Term Borrowings | 2,228.60 | 2,215.19 |
| Repayment of Long Term Borrowings | (1,713.38) | (844.04) |
| Proceeds from Short Term Borrowings (Net) | 1,118.23 | 1,166.42 |
| Advance received from related party | 396.95 | - |
| (Increase) / Decrease in Earmarked Accounts | (0.19) | (0.42) |
| Dividend paid | (110.00) | (110.00) |
| Dividend Tax paid | (17.84) | (18.69) |
| Finance Cost paid | (1,606.16) | (909.56) |
| Net Cash from Financing Activities | 296.21 | 1,498.90 |
| Net increase / (decrease) in Cash and Cash Equivalents | (270.35) | (99.62) |
| D. CASH AND CASH EQUIVALENTS | | |
| Net (Decrease) in Cash and Cash Equivalents | (270.35) | (99.62) |
| Cash and Cash Equivalents as at 01 April 2011 | 374.32 | 473.94 |
| Cash and Cash Equivalents as at 31 March 2012 | 103.97 | 374.32 |

Notes Cash Flow Statement

1. Cash and cash equivalents consist of cash on hand and balance with banks and deposits with banks.

| | Rs. Million | |
|------------------------------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Balance with Banks in | | |
| Current Account | 10.53 | 18.53 |
| Margin Money | 92.68 | 355.39 |
| Cash on hand | 0.76 | 0.40 |
| Cash & Cash Equivalents | 103.97 | 374.32 |

2. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard on 'Cash Flow Statements (AS-3)' issued by "The Institute of Chartered Accountants of India".
3. Previous period figures have been rearranged / regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

For and on behalf of the Board of Directors

Prabal Sarkar
Partner
Membership Number 52340

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Place: Kolkata
Date: 25 May 2012

Auditors' Report on the Consolidated Financial Statements of VISA Steel Limited

The Board of Directors of VISA Steel Limited

1. We have audited the attached consolidated balance sheet of VISA Steel Limited (the "Company") and its subsidiaries, its jointly controlled entity; hereinafter referred to as the "Group" (refer Note 2.2 to the attached consolidated financial statements) as at 31 March 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
3. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of one subsidiary and the jointly controlled entity included in the consolidated financial statements, which constitute total assets of Rs 27.98 Million and net assets of Rs 22.76 Million as at 31 March, 2012, total revenue of Rs. 0.07 Million, net loss of Rs 0.03 Million and net cash outflows amounting to Rs 0.93 Million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Without qualifying our opinion, we draw attention to Note 3.33 to the consolidated financial statements, regarding the preparation of the same on a going concern basis. The Holding Company incurred a net loss of Rs. 1188.54 Million during the year ended 31 March, 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 15,111.77 Million, while the Company's net worth remains positive as at the balance sheet date. In view of proposed plan to restructure the Holding Company's debt profile to convert majority of their short term loan to long term loan, these financial statements have been prepared on a going concern basis and no adjustment has been made to the carrying value of the assets and liabilities.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true

and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date: and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Lovelock & Lewes

Firm Registration Number: 301056E

Chartered Accountants

Prabal Sarkar

Partner

Place: Kolkata

Date: 25 May 2012

Membership Number 52340

Consolidated Balance Sheet as at 31 March 2012

Rs. Million

| | Note | 31 March 2012 | 31 March 2011 |
|----------------------------------|----------|------------------|------------------|
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' Fund | | | |
| Share capital | 3.1 | 1,100.00 | 1,100.00 |
| Reserves and surplus | 3.2 | 1,276.53 | 2,465.32 |
| | | 2,376.53 | 3,565.32 |
| Minority Interest | | 337.00 | 336.97 |
| Non Current Liabilities | | | |
| Long-term borrowings | 3.3 | 9,838.53 | 9,983.60 |
| Deferred tax liabilities (Net) | 3.35 | 0.15 | 597.16 |
| Other long-term liabilities | 3.4 | 337.70 | 10.19 |
| Long-term provisions | 3.5 | 10.99 | 9.94 |
| | | 10,187.37 | 10,600.89 |
| Current Liabilities | | | |
| Short-term borrowings | 3.6 | 2,808.39 | 1,668.22 |
| Trade payables | 3.7 | 9,353.84 | 7,255.69 |
| Other current liabilities | 3.8 | 9,092.99 | 5,747.63 |
| Short-term provisions | 3.9 | 53.79 | 158.39 |
| | | 21,309.01 | 14,829.93 |
| Total | | 34,209.91 | 29,333.11 |
| II. ASSETS | | | |
| Non Current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 3.10 (a) | 7,810.89 | 7,709.52 |
| Intangible assets | 3.10 (b) | 11.31 | 2.77 |
| Capital work-in-progress | 3.10 (c) | 18,934.63 | 13,953.83 |
| | | 26,756.83 | 21,666.12 |
| Long-term loans & advances | 3.11 | 1,207.36 | 1,032.07 |
| Other non-current assets | 3.12 | 93.98 | 108.77 |
| | | 28,058.17 | 22,806.96 |
| Current Assets | | | |
| Inventories | 3.13 | 3,525.07 | 3,956.80 |
| Trade receivables | 3.14 | 515.81 | 479.86 |
| Cash and Bank balances | 3.15 | 989.77 | 964.33 |
| Short-term loans and advances | 3.16 | 1,071.24 | 1,048.72 |
| Other current assets | 3.17 | 49.85 | 76.44 |
| | | 6,151.74 | 6,526.15 |
| Total | | 34,209.91 | 29,333.11 |

The notes are an integral part of the Consolidated Financial Statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

For and on behalf of the Board of Directors

Prabal Sarkar
Partner
Membership Number 52340

Place: Kolkata
Date: 25 May 2012

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Consolidated Statement of Profit and Loss for the year ended 31 March 2012

Rs. Million

| | Note | 31 March 2012 | 31 March 2011 |
|---|----------------|-------------------|------------------|
| INCOME | | | |
| Revenue from operations (Gross) | | | |
| Sale of products | 3.20 | 14,275.74 | 13,404.10 |
| Other operating revenues | 3.21 | 162.96 | 177.38 |
| | | 14,438.70 | 13,581.48 |
| Less: Excise duty | | 779.65 | 345.09 |
| Revenue from operations (Net) | | 13,659.05 | 13,236.39 |
| Other income | 3.22 | 262.48 | 245.15 |
| I. Total revenue | | 13,921.53 | 13,481.54 |
| EXPENSES | | | |
| Cost of materials consumed | 3.23 | 10,381.81 | 8,009.69 |
| Purchases of Stock-in-Trade | 3.24 | 2,441.33 | 2,397.26 |
| Changes in inventory of finished goods, work-in-progress and Stock-in-Trade | 3.25 | (1,410.45) | (745.68) |
| Employee benefits expense | 3.26 | 382.00 | 439.15 |
| Finance costs | 3.27 | 1,896.68 | 1,029.49 |
| Depreciation and amortisation expense | 3.10 (a) & (b) | 511.93 | 482.38 |
| Other expenses | 3.28 | 1,066.04 | 1,004.57 |
| II. Total expenses | | 15,269.34 | 12,616.86 |
| III. (Loss) / Profit before exceptional items and tax | | (1,347.81) | 864.68 |
| IV. Exceptional items | | (617.27) | - |
| V. (Loss) / Profit before tax and share of minority interest | | (1,965.08) | 864.68 |
| VI. Tax expense | | | |
| Current tax | | - | 182.66 |
| Less : MAT credit entitlement | | (179.30) | (127.74) |
| Net current tax | | (179.30) | 54.92 |
| Deferred tax | | (597.00) | 296.05 |
| Tax Adjustment for earlier years | | (0.01) | (0.01) |
| VII. (Loss) / Profit after Tax before share of minority interest | | (1,188.77) | 513.72 |
| VIII. Less : Minority Interest | | 0.02 | 0.02 |
| IX. (Loss) / Profit for the period | | (1,188.79) | 513.70 |
| X. Earning per equity share | 3.29 | | |
| Basic (Rs.) | | (10.81) | 4.67 |
| Diluted (Rs.) | | (10.81) | 4.67 |

The notes are an integral part of the Consolidated Financial Statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Lovelock & Lewes

Firm Registration Number - 301056E

Chartered Accountants

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Prabir Ramendralal Bose
Deputy Managing Director

Prabal Sarkar
Partner
Membership Number 52340

Subhra Giri
Company Secretary

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Place: Kolkata
Date: 25 May 2012

Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

VISA Steel Limited (VSL) is engaged in the manufacturing of Iron and Steel products including LAM Coke, High Carbon Ferro Chrome, Pig Iron, Sponge Iron and Special Steel with captive power plant at Kalinganagar, Odisha. Incorporated on 10 September, 1996, VSL has its registered office at Bhubaneswar and Corporate Office in Kolkata with manufacturing units in Kalinganagar and Golagaon and branch offices across India. VISA Steel Limited is a public limited company with its shares listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

VISA Steel Limited holds 65 % stake in VISA BAO Limited which is setting up a 100,000 MTPA Ferro Chrome Plant in Kalinganagar, Jajpur Road, Odisha. Baosteel Resources Co. Ltd., China, which is one of the leading Steel companies in the world, holds the balance 35 % stake.

VISA Steel Limited holds 89 % stake in Ghotaringa Minerals Limited which is assisting in developing a chrome ore deposit in Dhenkanal district of Odisha and balance 11 % is held by M/s Orissa Industries Limited, Odisha.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Consolidation

The Consolidated Financial Statements comprises of the financial statements of VISA Steel Limited (the Holding Company) and its subsidiaries and joint venture. The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures".

The Consolidated Financial Statements are prepared on the following basis:

- (i) The financial statements of the Holding Company and its Subsidiary Companies have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances, intra-group transactions and unrealised profit or losses thereon have been fully eliminated.
- (ii) The financial statements of the subsidiaries and joint venture used in the consolidation are drawn up to the same reporting date as that of the Holding Company.
- (iii) The excess value of the consideration given over the net value of the identifiable assets acquired in one of the subsidiary company is recognised as "Goodwill" and is not being amortised.
- (iv) Joint venture have been accounted for using the proportionate consolidation method whereby a venturer's share of each of the assets and liabilities of the jointly controlled entity is accounted for on a prorata basis.

2.2 The subsidiary companies and joint venture considered in the Consolidated Financial Statements are:

| | Country of Incorporation | Proportion of ownership interest As at 31 March 2012 [Including Beneficial Interest] | Proportion of ownership interest As at 31 March 2011 [Including Beneficial Interest] |
|---|--------------------------|--|--|
| Subsidiaries considered for consolidation : | | | |
| VISA BAO Limited | India | 65 % | 65 % |
| Ghotaringa Minerals Limited | India | 89 % | 89 % |
| Joint Venture considered for consolidation : | | | |
| Visa Urban Infra Limited | India | 26 % | 26 % |

2.3 Principal Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with applicable Accounting Standards in India. A summary of Important accounting policies are set out below.

Notes to Consolidated Financial Statements

2.4 Basis of Accounting

The Consolidated Financial Statements have been prepared under the historical cost convention.

2.5 (a) Fixed Assets

- i) Fixed Assets are stated at their acquisition cost (net of CENVAT credit), where applicable together with any incidental expenses of acquisition / installation. Cost of acquisition includes borrowing costs that are directly attributable to the acquisition / construction of qualifying assets. Impairment loss, if any, ascertained as per the Accounting Standard u/s 211 (3C) of the Companies Act, 1956.
- ii) Exchange difference pertaining to long term foreign currency monetary items are added / deducted from the capital assets in pursuance to the Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs amending Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates", w.e.f 1 April 2011.
- iii) Profit or loss on disposal of fixed assets is recognised in the Statement of Profit and Loss.

(b) Depreciation and Amortisation

- i) Depreciation on fixed assets, other than leasehold land, is provided on Straight Line Method in accordance with Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of lease. No depreciation is provided for freehold land.
- ii) Leasehold asset which are jointly held are amortised over the period of the lease term.
- iii) Computer software has been capitalised as Intangible Assets and are being amortised over its useful life of three years.

2.6 Inventories

Inventories are stated at cost (net of CENVAT credit) or net realisable value, whichever is lower. Cost is determined on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and includes, where applicable appropriate overheads. Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary, provision is made for such inventories.

2.7 Sales

Sales represent the invoiced value of goods and services supplied, net of value added tax (VAT) / sales tax but inclusive of excise duty.

2.8 Transactions in Foreign Currencies

- i) Transactions in foreign currencies are recorded in rupees by applying the exchange rate prevailing on the date of transaction. Transactions remaining unsettled are translated at the rate of exchange ruling at the end of the year. Exchange gain or loss arising on settlement / translation is recognised in the Statement of Profit and Loss, except those as mentioned in note 2.5 a (ii)
- ii) Premium or discount on forward contracts are amortised over the life of the contract. Foreign exchange forward contracts are revalued at the balance sheet date and the exchange difference between the spot rate at the date of the contract and the spot rate on the balance sheet date is recognised as gain / loss in the Statement of Profit & Loss, except those as mentioned in note 2.5 a (ii)

2.9 Employee Benefits

(i) Post Retirement Benefit

(a) Provident Fund

The Companies operate defined contribution schemes like Provident Fund. The Companies makes regular contribution to provident funds which are fully funded and administered by Government and are independent of Company's finance. Contributions are recognised in Statement of Profit & Loss on an accrual basis.

Notes to Consolidated Financial Statements

(b) Gratuity

Defined Benefit Plans like Gratuity Schemes are also maintained by the companies. The Companies have taken out a policy with Life Insurance Corporation of India (LICI) for future payment of gratuity liability to its employees. Gratuity liability is determined at the end of each year by LICI in accordance with the method stated in the Accounting Standard 15 (Revised 2005) (AS 15 Revised) on "Employee Benefits" and such liability has been provided for in the accounts. Annual Premium determined by LICI is contributed.

(ii) Other Long-term Employee Benefits:

Leave Encashment

Leave encashment benefit is determined on the basis of independent actuarial valuation (using Projected Unit Credit Method), at the end of each year in accordance with the method stated in [AS 15 (Revised)] and such liability is provided for in the accounts and charge is recognised in the Statement of the Profit and Loss.

(iii) Other Employee Benefits are accounted for on accrual basis.

2.10 Accounting for Taxes on Income

Current tax in respect of taxable income is recognised based on applicable tax rates and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been substantively enacted by the balance sheet date. Deferred tax assets are recognised only if there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised. Such assets are reviewed as at each balance sheet date to reassess realisability thereof. Minimum Alternate (MAT) Tax Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of the MAT Credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.11 Borrowing Cost

Borrowing costs attributable to acquisition and / or construction of qualifying assets are capitalised as a part of the cost of such assets upto the date when such assets are ready for its intended use. Other borrowing costs are charged to the Statement of Profit & Loss.

2.12 Leases

Assets acquired as leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as Operating Leases. Lease rentals in respect of assets acquired under Operating Lease are charged to the Statement of Profit & Loss on accrual basis.

2.13 Miscellaneous Expenditure - To the extent not written off or adjusted

Public issue expenses are being amortised over a period of five years.

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.1 SHARE CAPITAL | | |
| Authorised | | |
| 160,000,000 Equity Shares of Rs.10/- each | 1,600.00 | 1,600.00 |
| Issued, Subscribed and Paid-up | | |
| 110,000,000 Equity Shares of Rs.10/- each fully paid up | 1,100.00 | 1,100.00 |

(a) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares referred to as equity shares having face value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declare and pays dividend in Rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting.

Notes to Consolidated Financial Statements

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| (b) Shares held by the Holding / Ultimate Holding Company and / or their Subsidiaries and Associates | | |
| 57,612,167 Equity Shares of Rs.10/- each held by VISA Infrastructure Limited the Ultimate Holding Company | 576.12 | 576.12 |
| (c) Shareholders holding more than 5 % shares | | |
| VISA Infrastructure Limited (Number) | 57,612,167 | 57,612,167 |
| VISA Infrastructure Limited (%) | 52.37 | 52.37 |
| VISA International Limited (Number) | 23,532,233 | 23,532,233 |
| VISA International Limited (%) | 21.39 | 21.39 |
| (d) Share Reserved for issue under option | | |
| For details of share reserved for issue under the Employee Stock Option Plan (ESOP) of the Company refer note: 3.30 | | |
| (e) VISA Infrastructure Limited, the ultimate Holding Company has pledged 55,000,000 number of equity shares (17,300,000 number equity shares as on 31 March 2012) being 95.47 % of it's total shareholding. | | |

| | Rs. Million | |
|---|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.2 RESERVES AND SURPLUS | | |
| Capital Reserve | | |
| Balance as at the beginning of the year | 11.19 | 11.19 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 11.19 | 11.19 |
| Securities Premium Reserve | | |
| Balance as at the beginning of the year | 1,645.00 | 1,645.00 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 1,645.00 | 1,645.00 |
| General Reserve | | |
| Balance as at the beginning of the year | 91.76 | 91.76 |
| Add / Less : Transfers | - | - |
| Balance as at the end of the year | 91.76 | 91.76 |
| (Deficit) / Surplus in the Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 717.37 | 331.51 |
| Add : Net (Loss) / Profit after Tax transferred from Statement of Profit & Loss | (1,188.79) | 513.70 |
| Amount available for appropriation | (471.42) | 845.21 |
| Less: Appropriations: | | |
| Proposed Dividend | - | 110.00 |
| Income Tax on Proposed Dividend | - | 17.84 |
| Balance as at the end of the year | (471.42) | 717.37 |
| Total | 1,276.53 | 2,465.32 |

Notes to Consolidated Financial Statements

| Rs. Milloin | | | | | | |
|--|---------------------|------------------|--------------------|------------------|------------------|------------------|
| 3.3 LONG-TERM BORROWINGS | Non Current Portion | | Current Maturities | | Total | |
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| Term Loan (Secured) | | | | | | |
| From Banks | 8,234.92 | 9,126.95 | 3,270.55 | 2,048.60 | 11,505.47 | 11,175.55 |
| From Other Parties | 731.25 | 340.56 | 140.58 | 112.50 | 871.83 | 453.06 |
| Other Loans & Advances (Secured) | | | | | | |
| Equipment and Other Loan | | | | | | |
| From Banks | 15.88 | 53.74 | 41.21 | 36.34 | 57.09 | 90.08 |
| From Other Parties | 100.08 | 212.35 | 132.96 | 112.61 | 233.04 | 324.96 |
| Loan from Related Parties (Unsecured) | 756.40 | 250.00 | - | - | 756.40 | 250.00 |
| | 9,838.53 | 9,983.60 | 3,585.30 | 2,310.05 | 13,423.83 | 12,293.65 |
| The above amount includes | | | | | | |
| Secured borrowing | 9,082.13 | 9,733.60 | 3,585.30 | 2,310.05 | 12,667.43 | 12,043.65 |
| Unsecured borrowing | 756.40 | 250.00 | - | - | 756.40 | 250.00 |
| Amount disclosed under the head "other current liabilities" (Refer Note 3.8) | - | - | (3,585.30) | (2,310.05) | (3,585.30) | (2,310.05) |
| | 9,838.53 | 9,983.60 | - | - | 9,838.53 | 9,983.60 |

- a. In respect of Holding Company, Term Loan from Banks is secured by way of first charge on the land and fixed assets situated at Kalinganagar Industrial Complex, District Jajpur, Odisha together with hereditaments and premises and building, plant and machineries permanently affixed thereto and other erections thereon both present and future at Plant at Kalinganagar Industrial Complex, District Jajpur, Odisha and second charge on all the current assets of the Company ranking pari-passu with other banks along with Corporate Guarantee of VISA International Limited and personal guarantee of Managing Director of the Company.
- b. The Subsidiary Company, VISA BAO Limited, has entered into joint consortium agreement with consortium bankers on 16 January 2012, whereby an amount of Rs.1820 million was sanctioned as Rupee Term Loan (Facility). Such Facility together with all interest, all fees, commitment charges, costs, charges, expenses and other monies whatsoever stipulated in or payable under this Agreement and the other Financing Documents is secured by:-
 - (i) Assignment of the right, on pari-passu basis among the term lenders of the consortium, to receive the advance ('Advances for Infrastructure Development' estimated at Rs.786 million as per project cost") from VISA Steel Ltd. under the Infrastructure Sharing Agreements between VISA Steel Ltd. & VISA BAO Ltd. for sharing the former's facilities by the latter, in case of termination of Infrastructure Sharing Agreements.
 - (ii) A first charge on pari-passu basis to all the term lenders on all the immovable and movable assets of the Borrower, created/ to be created / acquired / to be acquired in this Project (other than those assets which has been financed by the other lenders / financial institutions and specifically charged to them).
 - (iii) Hypothecation of plant and machinery, miscellaneous fixed assets and all other movable fixed assets.
 - (iv) Equitable Mortgage of 50 acres of land along with the factory building and the super structures thereof, situated at Jakhapura Village, P.S. No, 197.
 - (v) Collateral Security in the form of second charge on all the current assets of the Borrower, both present and future, ranking pari-passu basis to all the proposed Term Lenders.
 - (vi) Non Disposal Undertaking on 51 % of shares held by the Promoters in the Borrower.

Notes to Consolidated Financial Statements

- c. In respect of Holding Company, the General Corpus Corporate Loan from State Bank of India is secured by first pari-passu charge on the fixed assets of the Company situated at Kalinganagar Industrial Complex, District Jajpur, Odisha and first charge on the fixed assets situated at Golagaon plant at Ankurapal and second charge on all the current assets of the Company both present and future on pari-passu basis along with other term lenders. State Bank of India is also having lien on fixed deposits of Rs.110.00 million.
- d. In respect of Holding Company, Subordinate Debt Facility from a Consortium of banks and financial institutions through IL&FS Financial Services Limited acting as Facilitator is secured by way of a second mortgage & charge on pari-passu basis with the Working Capital Lenders of all such immovable properties and interest in the immovable properties including buildings, structures, plant and machinery embedded therein, present & future in the industrial land situated at Kalinganagar Industrial Complex, District Jajpur, Odisha and by way of second charge on pari-passu basis with the Term Loan lenders on all the movable current assets and movable plant & machinery, spares, tools, accessories both present & future along with Corporate Guarantee of VISA International Limited. The registration of the above charge is pending.
- e. Term loan from Financial Institution in respect of Holding Company is secured by way of first charge on all the assets, both present & future, of the Company's plant including township being financed by HUDCO at Kalinganagar Industrial Complex, Odisha and pari-passu second charge on all the current assets of the Company within the integrated Steel Complex including Township being financed by with other banks along with Corporate Guarantee of VISA International Limited and personal guarantee of Managing Director of the Company.
- f. Equipment Finance and other loan from banks and financial Institutions in respect of Holding Company are secured by way of hypothecation of vehicles / machinery taken under the loan arrangement.
- In respect of Subsidiary Company, VISA BAO Limited Vehicle loan from financial Institutions are secured by way of hypothecation of vehicles taken under the loan arrangement.
- g. Unsecured loan in respect of Holding Company includes Rs.250 million received from fellow subsidiary, VISA Power Limited and Rs.506.40 million from the Ultimate Holding Company, VISA Infrastructure Limited.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.4 OTHER LONG-TERM LIABILITIES | | |
| Contractual obligation towards facility sharing | 333.00 | - |
| Others - Projects | - | 10.19 |
| Add - Share of Joint Venture [Refer Note 2.2] | 4.70 | - |
| | 337.70 | 10.19 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---------------------------------|---------------|---------------|
| 3.5 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits | 10.99 | 9.94 |
| | 10.99 | 9.94 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--------------------------------------|-----------------|-----------------|
| 3.6 SHORT-TERM BORROWINGS | | |
| Secured | | |
| Loans Repayable on Demand from Banks | 2,536.76 | 1,419.41 |
| From Financial Institution | | |
| EXIM | 171.67 | 149.99 |
| SIDBI | 99.96 | 98.82 |
| | 2,808.39 | 1,668.22 |

Notes to Consolidated Financial Statements

In respect of Holding Company, the working capital facilities from Banks and Financial Institution-EXIM are secured by way of first hypothecation charge ranking pari-passu with other banks on the whole of the current assets, namely, stock of raw material, stock in process, semi finished & finished goods, stores & spares not relating to plant & machinery (i.e. consumable stores & spares), bills receivable & book debts and all other movables, both present and future, whether installed or not provided that the charge in favour of the banks on the movable plant & machinery, machinery spares, tools & accessories shall be subject to the charges created and / or to be created thereon in favour of the term lenders to secure the long term borrowing / loans for capital expenditure. The working capital facilities are also secured by second mortgage charge on the land situated at Kalinganagar Industrial Complex, District Jajpur, Odisha together with building and structures thereon and all plant & machinery attached to the earth or permanently fastened to anything attached to the earth along with corporate guarantee of VISA International Limited and personal guarantee of Managing Director of the Company. Interest rate on such Secured Demand Loan from Banks is linked with the base rate of respective banks. Overdue amount as on Balance Sheet date is Rs.47.30 million.

Short term borrowing from Small Industries Development Bank of India (SIDBI) is the amount availed as on Balance Sheet date against the limit of Rs.100 million under the MSME Receivable Finance Scheme sanctioned by SIDBI covering the sale of goods services made by SME / eligible service sector and transport services. Interest is payable on such facility at the rate of 13% p.a. up to 90 days usance. The above loan is secured by way of unconditional corporate guarantee of VISA International Limited.

| | Rs. Million | |
|---------------------------|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.7 TRADE PAYABLES | | |
| Acceptance | 1,043.13 | 766.83 |
| Sundry Creditors | | |
| MSMED | 57.29 | 52.00 |
| Others | 8,253.42 | 6,436.86 |
| | 9,353.84 | 7,255.69 |

| | Rs. Million | |
|---|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.8 OTHER CURRENT LIABILITIES | | |
| Current maturities of Long Term Debt (Refer note 3.3) | 3,585.30 | 2,310.05 |
| Interest Accrued and due on borrowings | 393.56 | 119.34 |
| Interest Accrued but not due on borrowings | 18.12 | 1.34 |
| Employee related liabilities | 69.29 | 58.16 |
| Statutory liabilities | 101.81 | 165.87 |
| Share Refund Order account | 0.32 | 0.34 |
| Unclaimed Dividend | 1.00 | 0.79 |
| Advance From Customer | 145.02 | 90.44 |
| Advance From Fellow Subsidiary | 2,581.17 | - |
| Capital Creditors | 1,959.53 | 2,885.18 |
| Other liabilities | 237.62 | 114.80 |
| Add - Share of Joint Venture [Refer Note 2.2] | 0.25 | 1.32 |
| | 9,092.99 | 5,747.63 |

| | Rs. Million | |
|--------------------------------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.9 SHORT TERM PROVISIONS | | |
| Provision for Employee Benefits | 53.79 | 30.55 |
| Provision for Dividend | - | 110.00 |
| Income Tax on Provision for Dividend | - | 17.84 |
| | 53.79 | 158.39 |

Notes to Consolidated Financial Statements

| 3.10 (a) | Tangible Assets | Gross Block (at cost) | | | | | Depreciation | | | Net Block | | Rs. Million |
|----------|---------------------------------|-----------------------|--------------------------|-------------------------|------------------------|-----------------------|---------------|-------------------------|------------------------|------------------------|------------------------|-------------|
| | | As at 1 April 2011 | Additions /Adjustment | Deletion /Adjustment | As at 31 March 2012 | As at 1 April 2011 | For the year | Deletion /Adjustment | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 | |
| | | | | | | | | | | | | |
| | Owned | | | | | | | | | | | |
| | Land- Freehold | 13.07 | 0.49 | - | 13.56 | - | - | - | - | 13.56 | 13.07 | |
| | Land- Leasehold | 146.51 | 31.86 | - | 178.37 | 10.95 | 2.00 | - | 12.95 | 165.42 | 135.56 | |
| | Buildings | 738.87 | 263.24 | - | 1,002.11 | 83.68 | 26.13 | - | 109.81 | 892.30 | 655.19 | |
| | Plant & Machinery | 8,197.80 | 91.81 | - | 8,289.61 | 1,407.76 | 439.39 | - | 1,847.15 | 6,442.46 | 6,790.04 | |
| | Furniture & Fixtures | 42.15 | 53.20 | 11.12 | 84.23 | 21.40 | 6.73 | 10.01 | 18.12 | 66.11 | 20.75 | |
| | Vehicles | 167.84 | 27.26 | 1.24 | 193.86 | 72.93 | 20.18 | 0.24 | 92.87 | 100.99 | 94.91 | |
| | Leasehold (Jointly Held) | | | | | | | | | | | |
| | Buildings | - | 129.08 | - | 129.08 | - | 12.91 | - | 12.91 | 116.17 | - | |
| | Plant & Machinery | - | 15.42 | - | 15.42 | - | 1.54 | - | 1.54 | 13.88 | - | |
| | Total | 9,306.24 | 612.36 | 12.36 | 9,906.24 | 1,596.72 | 508.88 | 10.25 | 2,095.35 | 7,810.89 | 7,709.52 | |
| | 2010-11 | 9,253.00 | 54.15 | 0.91 | 9,306.24 | 1,115.39 | 481.91 | 0.58 | 1,596.72 | 7,709.52 | | |

| 3.10 (b) | Intangible Assets | Gross Block (at cost) | | | | | Depreciation | | | Net Block | | Rs. Million |
|----------|---------------------------|-----------------------|--------------------------|-------------------------|------------------------|-----------------------|--------------|-------------------------|------------------------|------------------------|------------------------|-------------|
| | | As at 1 April 2011 | Additions /Adjustment | Deletion /Adjustment | As at 31 March 2012 | As at 1 April 2011 | For the year | Deletion /Adjustment | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 | |
| | | | | | | | | | | | | |
| | Goodwill on consolidation | 0.24 | - | - | 0.24 | - | - | - | - | 0.24 | 0.24 | |
| | Computer Software | 17.02 | 11.59 | - | 28.61 | 14.49 | 3.05 | - | 17.54 | 11.07 | 2.53 | |
| | Total | 17.26 | 11.59 | - | 28.85 | 14.49 | 3.05 | - | 17.54 | 11.31 | 2.77 | |
| | 2010-11 | 14.63 | 2.63 | - | 17.26 | 14.02 | 0.47 | - | 14.49 | 2.77 | | |

Note :

- (i) Pursuant to the Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs amending Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates" the Companies has exercised the option and accordingly the exchange difference for the year ended 31 March 2012 pertaining to long term foreign currency monetary items to the extent of Rs.156.29 million has been added to the cost of depreciable capital asset. The same will be amortised from the year the relevant capital asset is capitalised over the balance useful life of such assets. Consequent to change in such accounting policy as aforesaid the period end aggregate carrying amount of Capital Work-in-Progress is higher by Rs.156.29 million with a corresponding favorable impact on the loss for the year ended on 31 March 2012.
- (ii) The Subsidiary Company, VTSA BAO Limited is constructing a Ferrochrome Plant on 50 acres of land at Kalinganagar, Odisha. During the year, the requisite fees for the land has been deposited with the appropriate authority and accordingly have been allotted in favor of the Company. However execution of the lease deed is pending.

Notes to Consolidated Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|------------------|------------------|
| 3.10 (c) Capital work-in-progress | | |
| Capital work in progress | 18,919.94 | 13,943.01 |
| Add - Share of Joint Venture [Refer Note 2.2] | 14.69 | 10.82 |
| | 18,934.63 | 13,953.83 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| 3.11 LONG-TERM LOANS & ADVANCES | | |
| Unsecured Considered Good | | |
| Capital Advance | 390.02 | 511.37 |
| Security Deposits | 180.85 | 61.65 |
| Loans & Advances to related parties | | |
| Security Deposit with related parties | 269.97 | 271.82 |
| Prepaid Expenses | 59.48 | 59.48 |
| MAT Credit Entitlement | 307.04 | 127.75 |
| | 1,207.36 | 1,032.07 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| 3.12 OTHER NON-CURRENT ASSETS | | |
| Margin Money with maturity more than 12 months | 82.87 | 75.77 |
| Demand deposits | - | 22.00 |
| Other Non Current Assets | 11.11 | 11.00 |
| | 93.98 | 108.77 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| 3.13 INVENTORIES (REFER NOTE 2.6) | | |
| Raw Materials | 1,305.88 | 1,395.83 |
| Work In Progress | 75.25 | 70.92 |
| Finished Goods | 1,177.81 | 1,306.47 |
| Stock- In-Trade | 441.01 | 463.95 |
| Stores and Spares parts* | 256.74 | 203.29 |
| By Products | 268.38 | 516.34 |
| | 3,525.07 | 3,956.80 |

* Including Capital Items lying in stores

38.97

41.89

Notes to Consolidated Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.14 TRADE RECEIVABLES | | |
| Unsecured | | |
| Debts Outstanding for a period exceeding six months | | |
| Considered Good | 36.98 | - |
| Considered Doubtful | 5.14 | 33.53 |
| Other Debts | | |
| Considered Good | 478.83 | 479.86 |
| | 520.95 | 513.39 |
| Less: Provision for Doubtful Debts | 5.14 | 33.53 |
| | 515.81 | 479.86 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.15 CASH AND BANK BALANCES | | |
| (i) Cash and Cash equivalents | | |
| Balance with Banks in : | | |
| Current Account | 208.64 | 29.82 |
| Margin Money | 96.04 | 364.39 |
| Cash on hand | 0.76 | 0.42 |
| (ii) Other Bank balances | | |
| Earmarked Accounts : | | |
| Share Refund Order Account | 0.32 | 0.34 |
| Dividend Account | 1.00 | 0.79 |
| Margin Money with maturity more than 3 months but less than 12 months | 682.98 | 568.15 |
| Add - Share of Joint Venture [Refer Note 2.2] | 0.03 | 0.42 |
| | 989.77 | 964.33 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| 3.16 SHORT TERM LOANS AND ADVANCES | | |
| Unsecured, considered good unless otherwise stated | | |
| Security Deposits | - | 31.03 |
| Prepaid Expenses | 142.57 | 40.46 |
| For Supply of goods & rendering services | | |
| Considered Good | 285.80 | 470.33 |
| Considered Doubtful | 13.95 | 18.14 |
| Less: Provision for Doubtful Advances | (13.95) | (18.14) |
| Loans & Advance to related parties | | |
| Advances to Key Managerial Personnel * | 34.44 | - |
| Advances to Ultimate Holding Company | 30.65 | 20.80 |
| Advance Payment of Income Tax | 152.67 | 98.91 |
| [Net of Provision Rs.484.36 million (2011: Rs.484.36 million)] | | |
| Others Taxes receivable / adjustable | 432.39 | 394.47 |
| Less: Provision for Other Taxes receivable / adjustable | (7.80) | (7.80) |
| Other Advances | 0.42 | 0.52 |
| Add - Share of Joint Venture [Refer Note 2.2] | 0.10 | - |
| | 1,071.24 | 1,048.72 |

* Excess Remuneration paid to managerial personnel, by the Holding Company during the year is subject to the approval by the Central Government. Pending such approval excess remuneration paid to managerial personnel amounting to Rs.34.44 million is being held by them in trust for the Company.

Notes to Consolidated Financial Statements

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.17 OTHER CURRENT ASSETS | | |
| Receivable from DGFT & Customs towards Export Incentive | 16.74 | 53.21 |
| Interest Accrued on Deposits | 33.03 | 23.15 |
| Add - Share of Joint Venture [Refer Note 2.2] | 0.08 | 0.08 |
| | 49.85 | 76.44 |

3.18 CONTINGENT LIABILITIES

(a) Claim against the Holding Company not acknowledged as debt:

- (i) In respect of a charter party dispute between VISA Comtrade (Asia) Limited (the "Charterer") and Transfield Shipping Inc., Panama, (the "Owner of the vessel- Prabhu Gopal") the said Owner of the vessel has filed a civil suit in the Hon'ble Calcutta High Court against the Company and the charterer and claimed the relief for a decree for US\$ 0.30 million to be expressed in Indian Currency at such rate of exchange and/or on such terms as the Court may deem fit and proper, Injunction, Costs or other reliefs. The Company has not accepted the claim as it was not a party to the said Agreement and hence cannot be made a party to this suit. The Hon'ble Calcutta High Court passed interim order dated 11 May 2005 and 20 June 2005, restraining the Company and the Charterer from withdrawing any amount from a specified bank account without leaving a balance for a sum of Rs.12.50 million, which has been set aside by the bank from the cash credit limit of the Company. The company has been legally advised that the above interim order has been expired due to efflux of time and has not been extended by the Hon'ble Calcutta High Court.

- (ii) Applications have been filed by the legal heirs of a deceased employee of the Company, who died in a road accident while travelling in the Company's vehicle for his personal work, claiming a compensation of Rs.6.10 million and interest @ 18% per annum. The Company has contested the claim, which is currently pending before the Motor Accident Claims Tribunal, Bhubaneswar.

Application filed by the legal heirs of the sister of the deceased employee who died with him, has been disposed off by the Additional District Judge Cum 3rd Motor Accident Claims Tribunal, Rourkela on 25 November, 2011 directing the New India Assurance Co. Ltd to pay Rs.0.18 million with interest 9% p.a. from the date of application till the date of payment. An appeal has been filed by the New India Assurance Co. Ltd before the Hon'ble High Court of Orissa in May 2012 against such order.

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| (b) Guarantees | | |
| (i) Bank Guarantee | 56.77 | 56.77 |
| (ii) Corporate Guarantee issued on behalf of subsidiary company | 720.00 | - |
| (c) Other money for which the Holding Company is contingently liable | | |
| (i) Income Tax matter on Appeal | 63.63 | 63.63 |
| (ii) Sales Tax matter on Appeal | 47.22 | 74.24 |
| (iii) Value Added Tax matter on Appeal | - | 20.37 |
| (iv) Entry Tax matters | 178.42 | 170.01 |
| (v) Customs Duty matter on Imported Goods | 34.86 | 34.86 |

Notes to Consolidated Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| 3.19 CAPITAL AND OTHER COMMITMENTS: | | |
| (a) Capital Commitments | | |
| Estimated amount of Contracts remaining to be executed on Capital Account (Net of advance of Rs.376.29 million, 2011: Rs.417.10 million) | 870.58 | 1,783.58 |

(b) Other Commitments

- (i) The Holding Company has obtained licenses from the Government of India under EPCG Scheme for import of machineries at a reduced Customs Duty and thereby saved an amount of Rs.388.35 million towards duty upto 31 March 2012 (2011: Rs.384.40 million). As per the requirement under the said Scheme, the Company is required to export amounting to Rs.2,989.69 million (2011: Rs.2,986.46 million) within the specified periods, failing which, the Company has to make payment to the Government of India equivalent to the duty benefit enjoyed along with interest. The Company is confident that the above export obligation will be met during the specified period.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| (ii) In respect of Subsidiary Company, VISA BAO Limited | 410.93 | - |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|-------------------------------|------------------|------------------|
| 3.20 SALE OF PRODUCTS | | |
| Sale of Finished Goods | | |
| Pig Iron | 1,826.19 | 835.02 |
| Chrome Concentrate | - | 71.66 |
| LAM Coke | 5,659.30 | 4,803.18 |
| Ferrochrome | 1,415.88 | 2,518.25 |
| Sponge Iron | 2,890.01 | 2,277.92 |
| Bloom / Round | 1,141.04 | - |
| Rolled Product | 180.72 | - |
| By-products | 602.12 | 590.08 |
| Power | 564.22 | 77.00 |
| Total | 14,279.48 | 11,173.11 |
| Sale of Stock-in-Trade | | |
| Coal & Coke | 1,620.46 | 2,230.99 |
| Quick Lime | 0.84 | - |
| Total | 1,621.30 | 2,230.99 |
| Less: Trial Run Sale | 1,625.04 | - |
| Sale of products | 14,275.74 | 13,404.10 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--------------------------------------|---------------|---------------|
| 3.21 OTHER OPERATING REVENUES | | |
| Scrap sales | 8.38 | 38.56 |
| Conversion Income | 126.38 | 83.21 |
| Export Incentives | 28.20 | 55.61 |
| | 162.96 | 177.38 |

Notes to Consolidated Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.22 OTHER INCOME | | |
| Insurance claim received | 8.76 | 40.81 |
| Interest Income | 242.48 | 152.70 |
| Net Gain / Loss from sale of Fixed asset | 8.25 | - |
| Liabilities no longer required written back | - | 22.17 |
| Provisions no longer required written back | - | 23.34 |
| Other non operating income | 2.99 | 6.12 |
| Add - Share of Joint Venture [Refer Note 2.2] | - | 0.01 |
| | 262.48 | 245.15 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---------------------------------------|------------------|-----------------|
| 3.23 COST OF MATERIAL CONSUMED | | |
| Chrome Ore | 608.95 | 1,179.15 |
| Iron Ore | 2,688.37 | 1,712.34 |
| Coke | 11.80 | 59.38 |
| Coal | 7,701.40 | 5,082.62 |
| Others | 219.66 | 130.05 |
| | 11,230.18 | 8,163.54 |
| Less: Trial Run Consumption | 848.37 | 153.85 |
| | 10,381.81 | 8,009.69 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| 3.24 PURCHASES OF STOCK-IN-TRADE | | |
| Coal & Coke | 2,403.34 | 2,397.26 |
| Billets | 36.27 | - |
| Quick Lime | 1.72 | - |
| | 2,441.33 | 2,397.26 |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| 3.25 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE | | |
| Opening Stock | | |
| Finished Goods | 1,306.47 | 886.40 |
| Stock- In-Trade | 463.95 | 258.57 |
| By-Products | 516.34 | 345.02 |
| Work-in-Progress | 70.92 | 42.82 |
| | 2,357.68 | 1,532.81 |
| Less: Closing Stock | | |
| Finished Goods | 1,177.80 | 1,306.47 |
| Stock- In-Trade | 441.01 | 463.95 |

Notes to Consolidated Financial Statements

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|--|-------------------|-----------------|
| 3.25 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (Contd.) | | |
| By-Products | 268.38 | 516.34 |
| Work-in-Progress | 75.25 | 70.92 |
| | 1,962.44 | 2,357.68 |
| Transfer to Project | (1,756.73) | - |
| Increase / (Decrease) in Excise Duty on Stock | (48.96) | 79.19 |
| Increase / (Decrease) in Stock | (1,410.45) | (745.68) |

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| 3.26 EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and Wages | 366.09 | 411.38 |
| Contribution to Provident & Other Funds | 12.08 | 22.21 |
| Staff Welfare Expenses | 3.83 | 5.56 |
| | 382.00 | 439.15 |

3.26 (a) Employee Benefits

In respect of the Holding Company and its subsidiary VISA BAO Limited

Provident fund is maintained with Regional Provident Fund Commissioner and contributions are made by the Companies to the Fund, based on the current salaries. In the provident fund schemes, contribution are also made by the employees. An amount of Rs.8.72 million (2011: Rs.16.19 million) has been charged to the Statement of Profit and Loss on account of the above defined contribution schemes.

The Companies operate defined benefit schemes like gratuity and leave encashment. The Holding Company and the Subsidiary Company, VISA BAO Limited has taken out policy with Life Insurance Corporation of India (LICI) for future payment of gratuity liability to its employees. Annual actuarial valuations are carried out by LICI in compliance with Accounting Standard 15 (Revised 2005) on "Employee Benefits". Annual contributions are also made by the Companies. Employees are not required to make any contribution.

The Companies also provide for leave encashment benefit to the employees. Annual actuarial valuations are carried out by an independent actuary in compliance with Accounting Standard 15 (Revised 2005) on "Employee Benefits". Employees are not required to make any contribution.

In respect of the Subsidiary Company, Ghotaringa Minerals Limited and the Joint Venture Company VISA Urban Infra Limited

The relevant provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952, Employees State Insurance Act, 1948, Payment of Gratuity Act, 1972 and Payment of Bonus Act, 1965 are not applicable to the Company.

Rs. Million

| | 31 March 2012 | 31 March 2011 |
|---------------------------|-----------------|-----------------|
| 3.27 FINANCE COSTS | | |
| Interest expense | 933.81 | 645.91 |
| Other borrowing costs | 962.87 | 383.58 |
| | 1,896.68 | 1,029.49 |

The amount of finance cost capitalised for qualifying assets during the financial year 2011-12 is Rs.1,379.02 million (2010-11: Rs.850.45 million)

Notes to Consolidated Financial Statements

| | Rs. Million | |
|--|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| 3.28 OTHER EXPENSES | | |
| Consumption of Stores and Spare Parts | 252.36 | 178.88 |
| Power & Fuel | 29.26 | 91.02 |
| Rent | 17.27 | 26.96 |
| Repairs to buildings | 2.84 | 3.24 |
| Repairs to machinery | 44.02 | 52.68 |
| Insurance expenses | 26.02 | 18.99 |
| Rates and taxes, excluding, taxes on income | 35.91 | 15.22 |
| Material handling expenses | 203.07 | 165.09 |
| Freight and selling expenses | 219.56 | 229.25 |
| Loss on exchange fluctuation (net) * | - | 7.53 |
| Miscellaneous expenses written off | - | 24.55 |
| Miscellaneous expenses** | 235.69 | 191.15 |
| Add: Share of Joint Venture [Refer Note 2.2] | 0.04 | 0.01 |
| | 1,066.04 | 1,004.57 |

* In view of high volatility in the value of Indian Rupee against US\$ and other foreign currencies, the loss arising out of the reinstatement of foreign currency monetary items during the current financial year amounting Rs.617.27 million (2011: Rs.Nil) has been considered as an exceptional item.

** In respect of the Holding Company, Miscellaneous expenses of current year is net off provision written back for bad & doubtful debts Rs.31.84 million and for doubtful advances Rs.10.52 million and also includes current year provision for bad and doubtful debt Rs.3.45 million and for advances Rs.6.34 million.

| | Rs. Million | |
|--|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| 3.29 CONSOLIDATED EARNING PER SHARE | | |
| Consolidated (Loss) / Profit After Tax (A) | (1,188.79) | 513.70 |
| Weighted average number (in million) of Rs.10 equity share outstanding during the year (B) | 110 | 110 |
| Basic and Diluted Earning per Share (A/B) (Rs.) | (10.81) | 4.67 |

3.30 SHARE - BASED COMPENSATION IN RESPECT OF THE HOLDING COMPANY

The shareholders of the Company in the Annual General Meeting held on 17 August, 2010, has approved an Employee Stock Option Scheme 2010 (the "ESOP Scheme 2010"), formulated by the Company, under which the Company may issue 5,500,000 options to its permanent employees and directors of the Company, its subsidiaries and its holding company, as determined by the Remuneration Committee on its own discretion and in accordance with the SEBI Guidelines.

Each option when exercised would be converted into one fully paid - up equity share of Rs.10/- each of the Company. The ESOP Scheme 2010 is administered by the Remuneration Committee of the Board of Directors of the Company ("the Committee"). Under the ESOP Scheme 2010, the Committee had granted 900,000 options to its eligible employees during the year ended 31 March 2011. During the current year Company has not granted any new options. The following share-based payment arrangements were in existence during the reporting periods.

Notes to Consolidated Financial Statements

| Particulars | ESOP Scheme 2010 |
|---------------------------------|--|
| Number of Options Granted | 900,000 |
| Grant Date | 4 February 2011 |
| Vesting Plan | Graded vesting - between 12.5 % & 25 % based on continuity & performance |
| Vesting Period | Not earlier than one year and not later than five years from the date of grant of the options in one or more tranches. |
| Exercise Period | 3 years from the date of vesting |
| Exercise Price (Rs. per Option) | 46.30 |
| Method of Accounting | Intrinsic Value |

Movement of Options Granted

The movement of the options for the year ended 31 March 2012 is given below:

| Particulars | Stock Options (Number) | Range of exercise Prices (Rs) | Weighted Average | |
|--|------------------------|-------------------------------|---------------------|-----------------------------|
| | | | Exercise Price (Rs) | Remaining Contractual Years |
| Outstanding at the beginning of the year | 900,000 | 46.30 | 46.30 | 6 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Lapsed during the year | 126,875 | 46.30 | 46.30 | - |
| Outstanding at the end of the year | 773,125 | 46.30 | 46.30 | 5 |
| Exercisable at the end of the year | 191,875 | - | - | 2 years & 10 months |

During the year total 197,344 number of Options were vested.

Fair Valuation:

At grant date, the estimated fair value of stock options granted was Rs.19.56. The fair valuation was carried out by an independent valuer using Black & Scholes model. The various inputs and assumptions considered in the pricing model at grant date for the stock options granted under the ESOP Scheme 2010 are as under.

| Particulars | ESOP Scheme 2010 |
|---|------------------|
| Number of options granted | 900,000 |
| Grant Date | 4 February 2011 |
| Risk Free interest rate (%) | 7.86 - 8.00 |
| Option Life (Years) | 2.5 - 5.5 |
| Expected Volatility (%) | 54.42 - 55.30 |
| Expected Dividend Yield (%) | 2.77 |
| Share price at options grant date (Rs.) | 46.30 |

Notes to Consolidated Financial Statements

Had the compensation cost for the stock options granted been recognised based on fair value at the date of grant in accordance with Black & Scholes Model, the proforma amount of net profit and earnings per share of the Company would have been as under:

| | Rs. Million | |
|---|-------------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Net (Loss) / Profit attributable to Equity shareholders | (1,188.54) | 513.77 |
| Less: Compensation cost under ESOP as per Fair Value | 7.10 | 1.40 |
| Proforma (Loss) / Profit before Tax adjustment for earlier years | (1,195.64) | 512.37 |
| Weighted average number of Basic equity shares outstanding | 110.00 | 110.00 |
| Weighted average number of Diluted equity shares outstanding | 110.88 | 110.14 |
| Face Value of Equity Shares | 10.00 | 10.00 |
| Reported Earning per Share (EPS) | | |
| Basic EPS (in Rs.) | (10.80) | 4.67 |
| Diluted EPS (in Rs.) | (10.80) | 4.67 |
| Proforma Earning per Share (EPS) | | |
| Basic EPS (in Rs.) | (10.87) | 4.66 |
| Diluted EPS (in Rs.) | (10.87) | 4.66 |

| | In Million | | | | |
|--|-----------------|------------|------------|---------------|------------|
| | 31 March 2012 | | | 31 March 2011 | |
| 3.31 DETAILS OF HOLDING COMPANY'S FOREIGN CURRENCY EXPOSURE | Currency | F.C | INR | F.C | INR |
| Unhedged Portion as on Balance Sheet Date | | | | | |
| a) Trade Receivable | US\$ | 0.83 | 42.32 | 1.41 | 62.87 |
| b) Trade Payable | US\$ | 81.08 | 4,147.82 | 39.81 | 1,777.35 |
| | Euro | 15.01 | 1,025.47 | 1.75 | 110.57 |
| | CHF | - | - | 0.09 | 4.37 |
| c) Short-Term Finance | US\$ | 3.26 | 166.68 | 0.25 | 11.31 |
| Hedged by Forward Contracts as on Balance Sheet Date | | | | | |
| a) Trade Payable | US\$ | 2.20 | 111.54 | 47.35 | 2,179.06 |
| | Euro | 1.15 | 79.87 | 14.41 | 847.42 |
| b) Short Term Finance | US\$ | - | - | 2.50 | 112.62 |

3.32 As the Holding Company's and its subsidiaries business activity falls within a single business segment, viz. "Iron & Steel products", the disclosure requirements of Accounting Standard (AS-17) on "Segment Reporting", notified by the Companies (Accounting Standards) Rules, 2006, are not applicable.

3.33 The Holding Company has incurred a net loss of Rs.1,188.54 million during the year ended 31 March 2012 and, as of that date the Company's current liabilities exceeded its current assets by Rs.15,111.77 million. The Company has approached the Lenders to restructure its debt profile to convert majority of their short-term loan to long-term loan, which has already been agreed in principle by all the banks and the approval is under process. The Company has prepared the financial statements on the basis of going concern assumption.

Notes to Consolidated Financial Statements

3.34 OPERATING LEASES (IN RESPECT OF HOLDING COMPANY)

The Company has lease agreement for various premises which are in the nature of operating lease. The lease arrangement range for a period between 3 Years to 10 Years which are cancellable lease. There is no obligation for renewal of these lease agreements and are renewable by mutual consent

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| With respect to all operating lease | | |
| Lease payments recognised in the statement of profit and loss during the year | 4.23 | 9.75 |

3.35 DEFERRED TAX LIABILITIES (NET)

Deferred Tax Provision has been made in the accounts in accordance with the requirements of the Accounting Standard on "Taxes on Income" (AS 22) issued by The Institute of Chartered Accountants of India. The major components of the Deferred Tax Liabilities / (Assets) based on the tax effects of timing differences are as follows:

| | Rs. Million | |
|---------------------------------------|-----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| Deferred Tax Liabilities | | |
| Depreciation | 859.03 | 784.23 |
| | 859.03 | 784.23 |
| Deferred Tax Assets | | |
| Unabsorbed Depreciation | (444.22) | (153.67) |
| Unabsorbed Loss Carried Forward | (375.64) | - |
| Others | (39.02) | (33.40) |
| | (858.88) | (187.07) |
| Deferred Tax Liabilities (Net) | 0.15 | 597.16 |

As a matter of prudence, deferred tax assets have been recognised only to the extent of the deferred tax liability.

Notes to Consolidated Financial Statements

| 3.36 (a) Related Party Disclosures | |
|--|---|
| Nature of Relationship | Name of the Related Parties |
| Ultimate Holding Company | VISA Infrastructure Limited |
| Enterprise having significant influence | VISA International Limited |
| Fellow Subsidiaries | VISA Aluminium Limited VISA Cement Limited VISA Resources India Limited (Formerly Known as VISA Comtrade Limited) VISA Power Limited VISA Power Trading Company Limited VISA Power (Jharkand) Pvt Limited VISA Power (Orissa) Pvt Limited VISA Energy Ventures Limited |
| Key Managerial Personnel | Mr. Vishambhar Saran (Chairman) Mr. Vishal Agarwal (Managing Director) Mr. Basudeo Prasad Modi (Deputy Managing Director upto 31 March 2012) Mr. Prabir Ramendralal Bose (Deputy Managing Director w.e.f 1 April 2012) |
| Relatives of Key Managerial Personnel | Mrs. Saroj Agarwal (Wife of Chairman) Mr. Vikas Agarwal (Son of Chairman) Mr. Ashok Agarwal (Brother of Chairman) |
| Enterprise over which Relatives of Key Managerial Personnel having significant influence | VISA Minmetal Limited VISA Realty Limited VISA Aviation Limited VISA Resources Pte Limited VISA Bulk Shipping Pte Limited Tastebuds Gourmet Foods Private Limited VISA Trust |

Notes to Consolidated Financial Statements

3.36 (b) Details of Transactions with Related Parties

Rs. Million

| Nature of Transaction | 31 March 2012 | | | | | | 31 March 2011 | | | | | |
|---|--------------------------|---------------------|---|--------------------------|---------------------------------------|--|--------------------------|---------------------|---|--------------------------|---------------------------------------|--|
| | Ultimate Holding Company | Fellow Subsidiaries | Enterprise having significant influence | Key Managerial Personnel | Relatives of Key Managerial Personnel | Enterprise over which Relatives of Key Managerial Personnel having significant influence | Ultimate Holding Company | Fellow Subsidiaries | Enterprise having significant influence | Key Managerial Personnel | Relatives of Key Managerial Personnel | Enterprise over which Relatives of Key Managerial Personnel having significant influence |
| Rent Paid | 4.23 | - | 7.21 | - | - | - | 3.59 | - | 7.21 | - | - | - |
| Hire Charges | - | 16.08 | - | - | - | - | - | 50.88 | - | - | - | - |
| Professional Fees | 13.24 | - | - | - | - | - | 11.25 | - | - | - | - | - |
| Purchase of Goods | - | 3474.04 | - | - | - | 338.16 | - | 1,181.47 | - | - | - | - |
| Freight for the above | - | 29.95 | - | - | - | 622.91 | - | 66.03 | - | - | - | 575.49 |
| Sale of Goods | 0.28 | 1839.55 | 191.45 | - | - | - | - | 1,339.62 | 0.62 | - | - | 1,254.61 |
| Travelling Expenses | - | - | - | - | - | 71.71 | - | - | - | - | - | 2.04 |
| Purchase of Fixed Assets | - | 5.42 | - | - | - | - | - | - | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - | - | - | - | 0.33 | - | - | - | - |
| Interest Income | - | - | - | - | - | - | - | 36.18 | - | - | - | - |
| Finance Cost | 2012 | 84.54 | - | - | - | - | - | 17.48 | - | - | - | - |
| Investment made | - | - | - | - | - | - | - | - | - | - | - | - |
| Re-imbursement of expenses (Net) | 9.17 | 23.04 | 0.07 | - | - | 0.13 | 20.80 | 0.78 | 0.04 | - | - | 0.05 |
| Unsecured Loan Given | - | - | - | - | - | - | - | - | - | - | - | - |
| Unsecured Loan Taken | 506.40 | - | - | - | - | - | - | - | - | - | - | - |
| Advance Received | - | 2,581.17 | - | - | - | - | - | - | - | - | - | - |
| Security Deposits Given | - | - | - | - | - | - | 260.00 | - | - | - | - | - |
| Received Advance towards facility sharing | - | - | - | - | - | - | - | - | - | - | - | - |
| Refund of Deposits | - | - | 4.50 | - | - | - | - | - | 7.50 | - | - | - |
| Remuneration | - | - | - | 11.42 | - | - | - | - | - | 55.80 | - | - |
| Sitting Fees | - | - | - | - | 0.20 | - | - | - | - | - | 0.25 | - |
| Outstanding at closing | - | - | - | - | - | - | - | - | - | - | - | - |
| Debit | - | - | 7.89 | 34.03 | 0.60 | - | 282.30 | - | 12.55 | - | - | - |
| Credit | 198.52 | 6,588.57 | - | - | - | 781.21 | - | 974.68 | - | - | - | 376.60 |

Notes to Consolidated Financial Statements

3.37 PREVIOUS YEAR FIGURES

The Consolidated Financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to confirm to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements .

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

Prabal Sarkar
Partner
Membership Number 52340

Place: Kolkata
Date: 25 May 2012

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Consolidated Cash Flow Statement for the year ended 31 March 2012

| | Rs. Million | |
|--|-------------------|-------------------|
| | 31 March 2012 | 31 March 2011 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax | (1,965.08) | 864.68 |
| Adjusted for : | | |
| Depreciation | 511.93 | 482.37 |
| Finance Costs | 1,896.68 | 1,029.49 |
| Interest Income | (242.41) | (152.70) |
| Provision for Bad & Doubtful Debts | 3.45 | 33.53 |
| Provision for Doubtful Advances | 6.34 | 18.14 |
| Liabilities no longer required written back | - | (22.17) |
| Provision for Doubtful Debts / Advances written back | (42.36) | (23.34) |
| (Profit) / Loss on sale of Fixed Assets | (8.25) | - |
| Miscellaneous Expenses Written off | - | 24.55 |
| Unrealised Forex Loss / (Gain) [Net] | 574.98 | (192.36) |
| Operating Profit before working capital changes | 735.28 | 2062.19 |
| Adjustments for : | | |
| (Increase) / Decrease in Trade and other receivables | (54.64) | 97.62 |
| (Increase) / Decrease in Inventories | 431.73 | (569.37) |
| (Increase) / Decrease in Trade and other Payables | 4,356.34 | 1,616.95 |
| Cash generated from Operations | 5,468.71 | 3,207.40 |
| Direct Taxes paid | (51.24) | (153.06) |
| Net Cash from Operating Activities | 5,417.47 | 3,054.34 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets / Capital Work in Progress | (6,613.20) | (5,187.27) |
| (Increase) / Decrease In Long Term Loans & Advances | (0.27) | (3.45) |
| (Increase) / Decrease in Capital Advances | 121.35 | 167.00 |
| Proceeds from Sale of Fixed Assets | 10.36 | 0.33 |
| Increase in Margin Money | (115.75) | (59.02) |
| Interest received | 229.61 | 166.98 |
| (Increase) / Decrease in Other Long Term Liabilities | (10.19) | - |
| (Increase) / Decrease in Other Non Current Assets | 15.82 | (22.00) |
| Net Cash used for Investing Activities | (6,362.27) | (4,937.43) |

Consolidated Cash Flow Statement for the year ended 31 March 2012 (Contd.)

| | Rs. Million | |
|---|----------------|-----------------|
| | 31 March 2012 | 31 March 2011 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Long Term Borrowings | 2,843.27 | 2,215.19 |
| Repayment of Long Term Borrowings | (1,713.38) | (844.04) |
| Proceeds from Short Term Borrowings (Net) | 1,118.23 | 1,166.42 |
| Increase in Other Long Term Liabilities | 341.05 | - |
| (Increase) / Decrease in Earmarked Accounts | (0.19) | (0.42) |
| Dividend paid | (110.00) | (110.00) |
| Dividend Tax paid | (17.84) | (18.69) |
| Finance Cost paid | (1,589.10) | (909.44) |
| Interest paid - Capitalised | (16.78) | - |
| Net Cash from Financing Activities | 855.24 | 1,499.02 |
| Net increase / (decrease) in Cash and Cash Equivalents | (89.56) | (384.07) |
| D. CASH AND CASH EQUIVALENTS | | |
| Net (Decrease) in Cash and Cash Equivalents | (89.56) | (384.07) |
| Cash and Cash Equivalents as at 01 April 2011 | 395.05 | 779.12 |
| Cash and Cash Equivalents as at 31 March 2012 | 305.47 | 395.05 |

Notes:

1. Cash and cash equivalents consist of cash on hand and balance with banks and deposits with banks.

| | Rs. Million | |
|---|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Balance with Banks in : | | |
| Current Account | 208.64 | 29.82 |
| Margin Money | 96.04 | 364.39 |
| Cash on hand | 0.76 | 0.42 |
| Share of Joint Venture [Refer Note 2.2] | 0.03 | 0.42 |
| Cash & Cash Equivalents | 305.47 | 395.05 |

2. The above Consolidated Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard on 'Cash Flow Statements (AS-3)' issued by "The Institute of Chartered Accountants of India".
3. Previous period figures have been rearranged / regrouped wherever necessary.

This is the Consolidated Cash Flow Statement referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

For and on behalf of the Board of Directors

Prabal Sarkar
Partner
Membership Number 52340

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

Place: Kolkata
Date: 25 May 2012

Statement pursuant to Section 212 (3) of the Companies Act, 1956

Ghotaringa Minerals Limited (GML), a Company incorporated under the Companies Act, 1956 became subsidiary of the Company with effect from 30 September 2005. As on 31 March 2012, 89% of the issued and subscribed equity share capital of GML was held by the Company alongwith its nominees.

VISA BAO Limited (VBL), a Company incorporated under the Companies Act, 1956 became subsidiary of the Company with effect from 23 May 2008. As on 31 March 2012, 65% of the issued and subscribed equity share capital of VBL was held by the Company alongwith its nominees.

| Name of the subsidiary | Ghotaringa Minerals Limited | VISA BAO Limited |
|--|-----------------------------|------------------|
| 1 Financial Year of the Subsidiary ended on | 31 March 2012 | 31 March 2012 |
| 2 Shares of the subsidiary held by the Company on the above date | | |
| a Number | 890,000 | 59,150,000 |
| Face Value (Rs.) | 10 | 10 |
| b Extent of holding | 89% | 65% |
| 3 Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the company | | |
| a Dealt with in the accounts of the Company for the year ended 31 March 2012 (Rs.) | 14,504 | 42,230 |
| b Not dealt with in the accounts of the Company for the year ended 31 March 2012 (Rs.) | NIL | NIL |
| 4 Net aggregate amount of profits / (losses) for previous years of the subsidiary since it became a subsidiary so far as they concern members of the company | | |
| a Dealt with in the accounts of the Company for the year ended 31 March 2012 (Rs.) | 286,801 | 21,130,937 |
| b Not dealt with in the accounts of the Company for the year ended 31 March 2012 (Rs.) | NIL | NIL |

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Prabir Ramendralal Bose
Deputy Managing Director

Place: Kolkata
Date: 25 May 2012

Subhra Giri
Company Secretary

Manoj Kumar Digga
Chief Financial Officer

Financial Statement pursuant to Section 212 (8) of the Companies Act, 1956 relating to Subsidiary Companies for the year ended on 31 March 2012

(Amount in Rs.)

| Name of the Subsidiary | Ghotaringa Minerals Limited | VISA BAO Limited |
|--|-----------------------------|------------------|
| Financial Year Ending on | 31 March 2012 | 31 March 2012 |
| Share Capital | 10,000,000 | 910,000,000 |
| Reserves & Surplus | 64,875 | 49,693,762 |
| Total Assets | 12,836,047 | 1,895,849,087 |
| Total Liabilities | 12,836,047 | 1,895,849,087 |
| Details of Investment (Except in case of Subsidiaries) | - | - |
| Turnover (including Other Income) | 74,670 | 2,770,130 |
| Profit Before Tax | 15,915 | 70,012 |
| Provision for Taxation | (382) | 5,043 |
| Profit after Taxation | 16,297 | 64,969 |
| Proposed Dividend | - | - |

For and on behalf of the Board of Directors

Vishal Agarwal
Managing Director

Subhra Giri
Company Secretary

Prabir Ramendralal Bose
Deputy Managing Director

Manoj Kumar Digga
Chief Financial Officer

Place: Kolkata
Date: 25 May 2012

CORPORATE INFORMATION

Board of Directors

Mr. Vishambhar Saran, Chairman
Mr. Maya Shanker Verma, Independent Director
Mr. Shiv Dayal Kapoor, Independent Director
Mr. Debi Prasad Bagchi, Independent Director
Mr. Pradip Kumar Khaitan, Independent Director
Mr. Shanti Narain, Independent Director
Mr. Subrato Trivedi, Non-Executive Director
Mr. Vishal Agarwal, Managing Director
Mr. Prabir Ramendralal Bose, Deputy Managing Director

Chief Financial Officer

Mr. Manoj Kumar Digga

Company Secretary

Mrs. Subhra Giri

Auditors

Lovelock & Lewes

Internal Auditors

L. B. Jha & Co.

Solicitors

Khaitan & Co.

Bankers & Financial Institutions

Andhra Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Corporation Bank
Dena Bank
Export Import Bank of India
HUDCO
Indian Overseas Bank
IL&FS Financial Services Limited
Oriental Bank of Commerce
Punjab National Bank
SIDBI
State Bank of India
State Bank of Hyderabad
State Bank of Travancore
Syndicate Bank
UCO Bank
Union Bank of India
Vijaya Bank

Registrars

Karvy Computershare Private Limited

Registered Office

BHUBANESWAR
VISA House, 11, Ekamra Kanan, Nayapalli,
Bhubaneswar - 751015.
Tel: +91 (674) 2552479,
Fax: +91 (674) 2554661

Corporate Office

KOLKATA
VISA Steel Limited,
VISA House,
8/10 Alipore Road,
Kolkata - 700027
Tel: +91 (33) 3011 9000
Fax: +91 (33) 3011 9002

Plant Offices

KALINGANAGAR PLANT SITE

Kalinganagar Industrial Complex,
At/P.O. Jakhapura District Jajpur
Odisha 755026
Tel: +91 (6726) 242441
Fax: +91 (6726) 242442

GOLAGAON PLANT SITE

Village Golagaon, Near Duburi,
P.O. Pankapal, District Jajpur, Odisha.
Tel: +91 (6726) 245470
Fax: +91 (6726) 245561

RAIGARH PLANT SITE

8, Gajanandpuram, Kotra By-pass Road, Raigarh -
496001, Chhattisgarh
Tel: +91 (7762) 2282 80

VISA STEEL

www.visasteel.com