

VISA STEEL

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Report of the Audit Committee of VISA Steel Limited

Members present:

Mr. Shiv Dayal Kapoor : Chairman
Mr. Debi Prasad Bagchi : Member
Mr. Subrato Trivedi : Member

1. Background

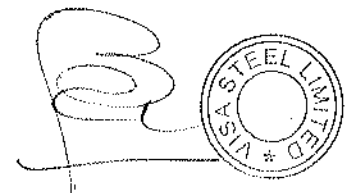
The Company has placed before the Audit Committee a Scheme of Arrangement ("the Scheme") for transfer of the Special Steel undertaking of the Company to VISA Special Steel Limited ("VSSL") on a going concern basis, for recommendation to the Board of Directors as required vide SEBI circular no. CIR/CFD/DIL/5/2013 dated 4 February, 2013 and CIR/CFD/DIL/8/2013 dated 21 May, 2013 (hereinafter collectively referred as "the Circular(s)").

The Securities and Exchange Board of India vide its circular no. CIR/CFD/DIL/5/2013 dated 4th February 2013 has, amongst other requirements, sought a report from the Audit Committee of the Listed Companies recommending the Scheme of Arrangement under Chapter V of the Companies Act, 1956.

In view of the above Circular, members of the Audit Committee of the Company have discussed and approved the draft Scheme of Arrangement ('the Scheme') between the Company and VSSL vide resolution passed at its meeting held on 12 August 2013, and have made this report, after perusing the necessary documents including the Draft Scheme of Arrangement.

The Audit Committee noted that Valuation Report is not applicable since it involves transfer of Special Steel undertaking of the Company to a wholly owned subsidiary of the Company and no shares are to be issued under the Scheme by VSSL to the shareholders of the Company. Further, it does not involve any movement of assets or liabilities outside the VISA Steel Group.

This report of Audit Committee is made in order to comply with the requirements of the Circular.



2. Proposed Scheme of Arrangement

2.1 Rationale of the proposed Scheme of Arrangement

- The Company is engaged in the business of manufacturing of Special Steel and Ferro Chrome.
- VSSL is a wholly owned subsidiary of Kalinganagar Special Steel Private Limited ("KSSPL"). KSSPL is a wholly owned subsidiary of the Company. Therefore in terms of Section 4(1)(c) of the Companies Act, 1956, VSSL is a wholly owned subsidiary of the Company, which has been formed to manufacture and operate the Special Steel undertaking.
- The Company has business interests in Special Steel, Ferro Chrome and Coke. The said businesses are distinct and separate having different risk and rewards. The Special Steel business has good potential to grow. In order to provide the management with an opportunity to explore the business potential to the fullest and to enhance shareholders value, it is considered appropriate and desirable to carry on the Special Steel undertaking through a distinct company and, thereby, create distinct corporate identity in the manufacturing of Special Steel products. Hence with a view to evolve a structure for more effective concentration and focused attention in the business of Special Steel, the Company is intending to transfer, on a going concern basis, the Special Steel undertaking of the Company into VSSL.

2.2 The salient features of the Scheme are as under:

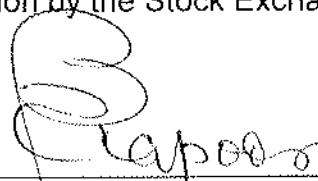
- Transfer of Special Steel undertaking of the Company to VSSL, a wholly owned subsidiary of the Company. Appointed Date for the Scheme has been fixed as 1 April 2013.
- The Scheme provides for transfer of Special Steel undertaking on a going concern basis to VSSL. VSL will transfer its Special Steel undertaking to VSSL without consideration. No shares will be issued to the shareholders of the Company pursuant to the Scheme, since VSSL is a wholly owned subsidiary of the Company.

3. Recommendation of the Audit Committee

Based on the above, the Audit Committee recommends the draft Scheme, which is also proposed to be considered by the Board of Directors of the Company, for favourable consideration by the Stock Exchange(s) and SEBI.

Date: 12 August 2013

Place: Kolkata


Shiv Dayal Kapoor
Chairman of the Audit Committee

