JSW Steel Limited

The Spirit Of Challenge

2006 - 2007
annual report

JSW Steel Limited

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Shri O. P. Jindal
August 7, 1930 - March 31, 2005
O. P. Jindal Group - Founder and Visionary

The Spirit Of Challenge

From a farmer to an industrialist to a parliamentarian. From a small manufacturing unit to one of India's largest industrial groups. The road was never easy. But, for Late Shri O. P. Jindal, obstacles became stepping stones on a long, purposeful journey...

A journey which was for him, a mission.
And his purpose, for us all a vision.

Contents

Financial Highlights

(Rupees in Crores)

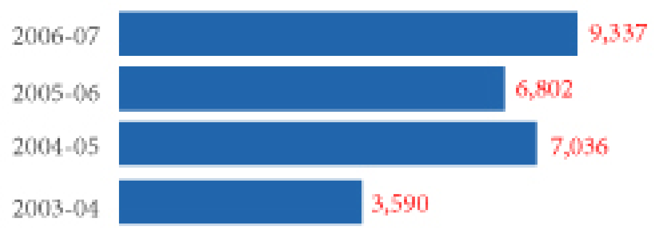
	2003 - 04	2004 - 05	2005 - 06	2006 - 07
REVENUE ACCOUNTS				
Gross Sales	3,590.49	7,035.90	6,801.52	9,337.34
Net Sales	3,273.96	6,679.36	6,215.53	8,594.44
EBIDTA	1,083.42	2,365.83	2,133.46	2,921.97
Depreciation	312.88	359.54	405.82	498.23
Interest	407.14	469.87	363.96	399.54
PBT	690.16	1,472.61	1,301.89	1,915.18
Provision for Taxation	161.48	602.50	445.36	623.18
PAT	528.68	870.11	856.53	1,292.00
CAPITAL ACCOUNTS				
Gross Block	6,226.87	7,520.30	8,368.43	10,512.76
Net Block	5,194.75	6,076.39	6,517.98	8,189.10
Capital WIP	51.18	349.30	1,861.95	2,002.93
Total Debt	4,787.03	3,836.41	4,096.05	4,173.03
Long Term Debt	4,717.94	3,714.30	3,877.42	4,031.48
Working Capital Loans	69.09	122.11	218.63	141.55
Equity Capital	1,291.02	129.04	156.98	163.98
Reserves & Surplus	–	2,680.59	3,859.16	5,068.25
Shareholders' Funds	1,631.08	3,149.72	4,356.22	5,594.05
RATIOS				
Book Value Per Share (Rs.)	9.82	195.30	240.37	312.24
Market price per share (Rs.)	8.20	360.55	302.70	493.45
Earning per Share (Diluted) (Rs.)	21.46	59.78	55.57	78.88
Market Capitalisation	1,058.63	4,652.51	4,751.65	8,091.53
Equity Dividend	–	80%	80%	125%
Fixed Assets Turnover Ratio	0.63	1.10	0.95	1.05
EBIDTA Margin	33.09%	35.42%	34.32%	34.00%
Interest Coverage	2.66	5.04	5.86	7.31
Debt Equity Ratio	2.75	1.33	0.96	0.75
Long Term Debt to EBIDTA	4.35	1.57	1.82	1.38

HIGHLIGHTS 2006-07

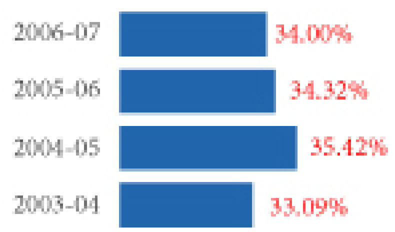
- Crude Steel Output up by 18% to 2.652 million tonnes
- Saleable Steel sold up by 26% to 2.674 million tonnes
- Gross Sales by 37% to Rs. 9,337 crores
- Net Sales up by 38% to Rs. 8,594 crores
- EBIDTA up by 37% to Rs. 2,922 crores
- PBT up by 47% to Rs. 1,915 crores
- PAT up by 51% to Rs. 1,292 crores
- Weighted Average Cost of Debt 8.14%
- Debts Repayment of Rs. 1,018 crores
- Debt Equity Ratio 0.75
- Diluted EPS up by 42% to Rs. 78.88
- Equity Dividend : 125%

Debt Equity Ratio

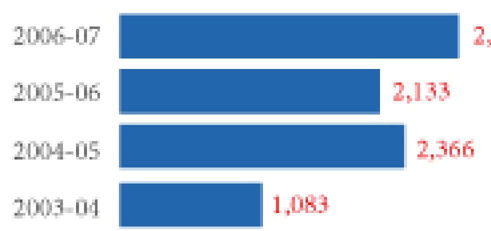
Gross Sales (Rs. in Crores)
4 years CAGR 35.30%



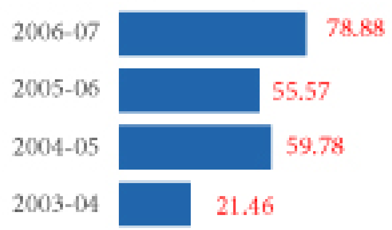
EBIDTA Margin (%)

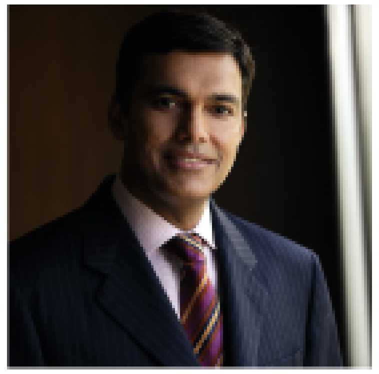


EBIDTA (Rs. in Crores)
4 years CAGR 42.17%



Earnings Per Share - Diluted
(in Rupees)





'I strongly believe that India should not give up its strategic ore advantage'

Sajjan Jindal
Vice Chairman and Managing Director,
analyses trends in the steel sector.

Dear Shareholders,
It gives me pleasure to report that even as competition increased and structural changes challenged the existing players in the steel industry in 2006-07, JSW Steel enhanced wealth for its shareowners.

This wealth increase is reflected in the following numbers:

- 70% growth in market capitalisation.
- 32% growth in revenues.
- 37% growth in EBIDTA.
- 51% growth in PAT.

Industry trends

These are exciting times for the steel industry and it would be pertinent to analyse the undercurrents and their influence on the Company's prospects.

Consolidation: As a result of mergers and acquisitions, the share of the 10 leading global steel companies has increased to about 27% from 20% between 1995 and 2006, translating into steady realisations and relatively stable cyclicality.

Disintegrated approach: With the dismantling of geographic boundaries, steel majors across the globe are looking to capitalise on regional strengths.

India advantage: India possesses large mineable haematite reserves of 11.8 billion tonnes with an operating cost significantly below the international benchmark (upto HR coils). In view of this, international majors are keen to establish a presence on the Indian canvas especially up to the manufacture of crude steel.

Value addition: Value addition being primarily technology driven, steel majors strategically seek to establish a base in global steel hubs located in the developed economies. This also provides steel manufacturers with a competitive edge of being close to the end consumer – the automobile majors.

Our response: The Company has adopted a dual strategy. One, expanding crude steel capacity significantly, with a multi-locational presence to capitalise on the India advantage. Two, evaluating inorganic opportunities for value added facilities in the developed economies. With this intent, we have created a subsidiary and signed a share purchase agreement to take over a Service Center in UK with a proposed investment of £ 3.75 million.

Industry cycle

The robustness of the steel industry cycle is expected to extend across the national and international markets.

Global outlook: The global steel industry is expected to grow significantly on the back of an enhanced demand for steel vis-à-vis a shortage in supply. Global economic growth is expected to remain strong at around 4% over the next 2-3 years. As a result, the demand for steel, an economic index, is expected to remain robust.

On the other hand, the Chinese government has formulated a policy to reduce the number of steel makers in that country, enabling the big players to control a larger share of the production. More importantly, the government may blow down small steel mills accounting for close to half the country's production. Besides, major steel mills (48 mills) in China have agreed to prune output over the short-term.

Indian outlook: India's thrust on infrastructure development will drive demand for a few hundred million tonnes of steel for the next five decades, enabling it to catch up with the developed world. India's per capita steel consumption at 39 kgs is considerably lower than the global average of 150 kgs and even if one takes a conservative view of it reaching the world average by 2020, domestic demand will need to grow at a CAGR of 10% to 194 MTPA. Correspondingly, the supply of steel in India is not expected to catch up with the growing demand across the foreseeable future, translating into a robust steel cycle.

JSW Steel plans to capitalise on this favourable national and global outlook through the following initiatives: expansion to 6.8 MTPA by March 2009 and 10 MTPA by 2010 at its existing facility followed by phased greenfield commissioning in West Bengal (10 MTPA) and Jharkhand (10 MTPA).

Expected steel capacity increase based on announcements

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Capacity increase (MTPA)	6	13	16	7	8

Source: ASK Raymond James, industry

Industry challenges

In India, US$125 billion of industry investment is critically dependant on whether the government continues to permit the indiscriminate export of iron ore, its key strategic advantage. In 2005-06, India exported almost 90 million tonnes out of a total iron ore production of 165 million tonnes. There is a popular misconception that India enjoys abundant reserves to last a hundred years, overlooking that the country's per capita iron ore availability - an abysmal 21 tonnes per person - remains among the lowest in the world even as significant growth is being forecast for downstream sectors like automobiles, auto-components, consumer durables and housing, among others. It is our considered opinion that if the export of ore remains unchecked, India will exhaust its iron ore reserves within the next 20-25 years. Besides, there is another argument against the export of iron ore: for every tonne of exported ore, the Government earns less than US$ 0.50 in terms of direct and indirect taxes as against US$ 79 for every tonne of steel exported from the country.

Our sustainability

JSW Steel has extended its vision beyond India to ensure input – and hence, corporate – sustainability through the creation of a subsidiary to evaluate various coal mining assets, which should translate into profitable reality over the coming years.

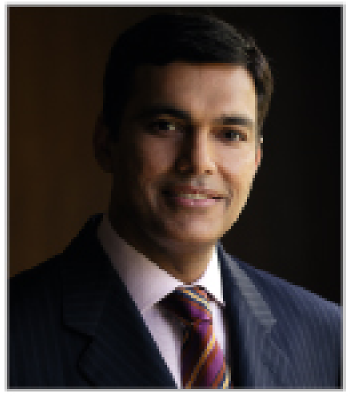
In view of these reasons, I am optimistic about the Company's ability to graduate to a low cost manufacturer of quality steel across the globe and a preferred business partner for our end users over the coming years.

Yours Sincerely,

Sajjan Jindal

Board of Directors

Mrs. Savitri Devi Jindal
Chairperson



Mr. Sajjan Jindal
Vice Chairman & Managing Director

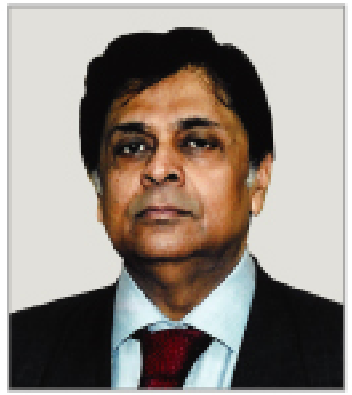
Dr. B.N. Singh
Jt. Managing Director & CEO

Mrs. Zarin Daruwala
Nominee Director of
ICICI Bank Limited

Mrs. Sobha Nambisan, IAS
Nominee Director of KSIIDC

Mr. Anthony Paul Pedder
Director

Mr. Uday M. Chitale
Director



Mr. Sudipto Sarkar
Director

Mr. Seshagiri Rao M.V.S.
Director (Finance)

Dr. Vinod Nowal
Director (Commercial)

Mr. Biswadip Gupta
Director

Mr. S. Jambunathan, IAS (Retd.)
Nominee Director of UTI
Asset Management Co. Pvt. Ltd.

Dr. S.K. Gupta
Director

Dr. Vijay Kelkar
Director

COMPANY SECRETARY
Mr. Lancy Varghese

STATUTORY AUDITORS
M/s. Deloitte Haskins & Sells
Chartered Accountants

BANKERS
Allahabad Bank
ICICI Bank Limited
Punjab National Bank
State Bank of India
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
Vijaya Bank

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Karnataka – 583 275.

Vasind Works:
Shahapur Taluk, Thane,
Maharashtra – 421 604.

Tarapur Works:
MIDC Boisar, Thane,
Maharashtra – 401 506.

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SHARE TRANSFER AGENTS
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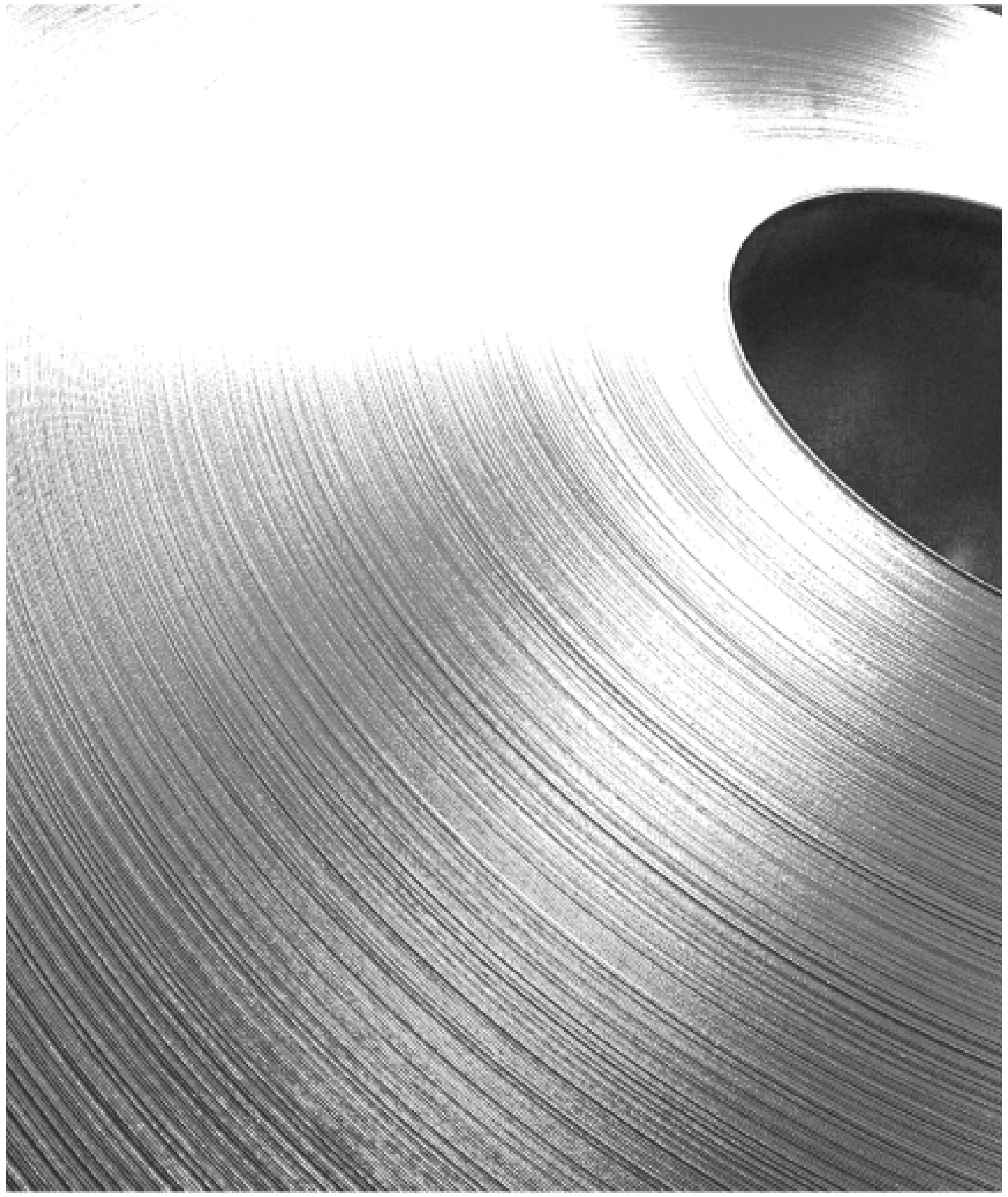
Fax. No. 040 - 23420814
E-mail: einward.ris@karvy.com
Website: www.karvy.com



Only by seeking challenges can we hope to find the best in ourselves

- Unknown

Untested technology. Increasing competition. Cyclical demand.

Just some of the problems JSW Steel faced when it went into business in 1994.

Short learning curve. Declining costs. Increasing production.

Just some of the reasons why JSW Steel has emerged as one of the most dynamic steel industry proxies in India.

JSW Steel succeeded because it responded with a spirit of challenge!

Displaced the status quo. Argued the impossible.
Questioned the paradigm.

The Spirit Of Challenge

Where the untested contemporary is preferred over the proven conventional

In a hugely capital-intensive steel industry, there is security in the tried, tested and conventional. JSW Steel challenged this 'no risk' mindset through counter-conventional initiatives.

Initiatives

- Adopted the young Corex technology for the first time in India and only the third country in the world. JSW Steel stabilised the relatively untested process in record time. Its operational parameters now represent an international benchmark.
- Fused the best of the Corex and blast furnace technologies.
- Commissioned the vibro-compacting technology in its coke oven units for the first time in the world.
- Achieved adequate bulk density inspite of a maximisation of the use of inferior coking coals in the blend upto 40%.

Achievements

- JSW Steel is now a global Corex showpiece; its established parameters a benchmark worthy of global emulation.
- The Company's prudent mix of technologies enabled it to emerge among the lowest cost steel manufacturers in the world.
- Its prudent coal mix in the coke oven translated into substantial savings.

Corex at JSW > Conventional

- Each unit (hot metal capacity 0.8 MTPA) generates gas, sufficient to produce 100 MW of power, higher than what is possible through the conventional blast furnace technology.
- Corex uses cheaper soft coking coal against the coke-based conventional technology, making steel making cost effective.

Where a people approach is as world-beating as cutting-edge technology

In a modern-day steel company, it is tempting to consider a large workforce as the Company's most precious asset. JSW Steel walked the road less traveled in positioning itself as an intellectual capital organisation instead, leveraging its people resource to grow the organisation in a profitable and sustainable way.

Initiatives

- 'Mera Sujhav' (My suggestion) is a participatory initiative that invites Employees to innovate ideas in the areas of technology, process, policy and work-life balance.
- 'Open Door Policy' makes it possible for all JSW Steel Employees to interact one-on-one with the Joint Managing Director and Chief Executive Officer.
- Quality Circle teams reinforce collaborative working and enhance manufacturing standards.
- Best Employee, Best Safety Man, Best Quality Circle and Best Suggestion Awards reinforce a culture of recognition and reward.
- Intensive training –12.28 person-days per employee, 2006-07 – strengthens aptitude and attitude.
- E-jsw shares manufacturing information, policies, knowledge and organisational changes.

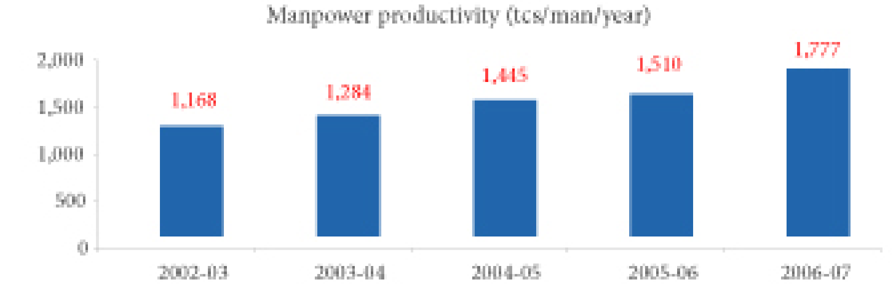
Achievements

- The operation of a 3.8 MTPA crude steel making plant (upto hot rolled coils) with only 1,518 members (shopfloor members at the Vijayanagar works), translated into India's highest productivity of 1.777 tonnes of crude steel /person in 2006-07.
- The 'Mera Sujhav' initiative generated direct savings of Rs. 80 crores in five years leading to 2006-07.
- The 'Tungabhadra' and 'Genius' Quality Circles received the 'Par Excellence' and 'Distinction' awards at the National Convention on Quality Circles in December, 2006.
- The Company won the second spot in the DMA Erehwon HR Innovative Awards 2006.
- Attrition was placed at a low 5.9%.

Preferred place to work

- The Company was placed second in the Delhi Management Association (DMA) Erehwon Awards for innovative HR practices in November, 2006.
- It was ranked fourth in the 'Best Companies to Work With' survey conducted by Business Today in November, 2005.
- It was given the Indian Manufacturing Excellence Award 2004 by Frost & Sullivan for Processes and Proactive Labour Management

Manpower productivity (tcs/man/year)



Where peak capacity is only the beginning of a fulfilling journey

In a gross block-dominated business, superior asset utilisation represents the key to viability across industry cycles. Over the years, JSW Steel has progressively outperformed a number of operational benchmarks to emerge as a low cost, all-market model.

Initiatives

- Successful implementation of gunniting of the Corex unit for the first time in the world.
- Optimisation of the blowing pattern, slag regime and development of the slag splashing technology enabled the Company achieve the highest lining life of 13,771 heats, an Indian record, more than twice the prevailing benchmark.
- Improved the colour coated unit yield from 90% to 97%.
- Operated the pellet plant at a higher bed height to improve productivity.
- Reduced the frequency of the shaft emptying by 50% with an estimated gain of Rs. 24 crores.

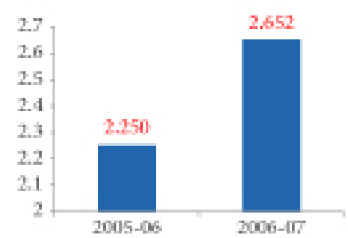
Achievements

- Annual saving of Rs. 21 crores and increased productivity through enhanced convertor-lining life.
- Increase in the yield of the colour-coated facility to generate additional revenue.

Enhancing profitability from within

- There was an increase in pellet plant capacity by 0.8 MTPA, achieved through an increase in the number of burners and auxiliary equipment.
- The colour-coated line was initially set up for manufacturing structural variety (the coarser grade); process improvements enabled the Company to produce extra fine grades for OEMs from the same facility, a feat unmatched in India.

Crude Steel Production (million tonnes)



Where 'stretching' beyond accepted standards is really quite the standard

In the steel industry it takes nearly 4-5 years to commission a manufacturing facility; any delay can translate into an expensive cost overrun. Over the years, JSW Steel has proved that its competitive edge lies not only in running a plant at the lowest cost but also in building one from the ground up in the shortest possible time.

Initiatives

- Commissioned its first 0.9 MTPA blast furnace (1250 m³) in a record 17 months (industry benchmark 24 months).
- Commissioned its colour-coated unit three months ahead of schedule.
- Commissioned its second blast furnace (1681 m³) within 24 months, four months faster than the prevailing benchmark.
- Commissioned its coke oven units in a mere 14 months and 17 days against a prevailing industry norm of 28 months, a national record.
- More than doubled the crude steel capacity within five years - from 1.6 MTPA in 2002 to 3.8 MTPA in 2007.

Achievements

- The Company reported a quicker project payback.
- Return on capital employed grew from 21.05% in 2005-06 to 23.77% in 2006-07.

Installing the largest furnace

JSW Steel is presently installing a 4,019 m³ blast furnace. When commissioned, this will be the largest in the Indian steel industry. The furnace will enhance the Company's productivity and rationalise production costs.

Where every rupee invested starts an attractive virtuous cycle

In a competitive cyclical business, low cost funds represent critical raw material. Over the years, JSW Steel has not only reduced its cost of funds but also widened sources, emerging as an industry model in the process.

Initiatives

- Prudent fiscal management in capital-intensive projects helped rationalise the Company's specific investment cost per tonne of Crude Steel from Rs. 41,000 to Rs. 24,200, which is approximately 25% lower than the industry standard.
- JSW Steel entered into a unique US$ 150 million arrangement, which enabled the Company to receive advance payments against a long-term seven year export contract with Duferco (Switzerland), the first Asian company to enjoy this arrangement.

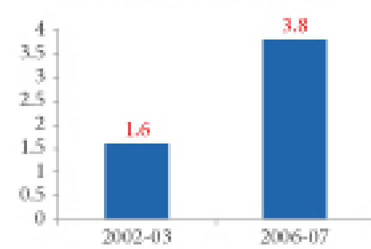
Achievements

- Debt-equity ratio improved from 2.75:1 in 2003-04 to 0.75:1 in 2006-07.
- Weighted average cost of debt declined by 128 basis points over the same period.

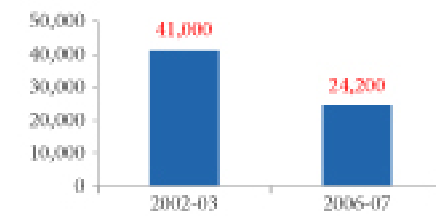
Enhanced global investing confidence

- FII investment in the Company increased from 6% at the end of 2004-05 to about 19% in 2006-07.
- The Company's Duferco deal was awarded the 'Deal of the year' award for 2006 by the Trade Finance Magazine, from among a sizeable number of entries by all banks in the Asia Pacific region.

Crude steel capacity (MTPA)



Capital cost per tonne of crude steel (Rs.)



JSW Steel is the most modern
and environment-friendly steel Company
in the second fastest growing country in the world.

Who we are

JSW Steel is the outcome of a Scheme of Amalgamation and Arrangement in which the steel business of Jindal Iron & Steel Company Ltd. was merged with that of Jindal Vijaynagar Steel Ltd. in 2004-05.There after the merged entity was renamed as JSW Steel Ltd. This enabled the Company to immediately emerge among the large integrated steel manufacturers in India. Subsequent organic / inorganic initiatives evolved the Company into a dominant steel player in India, translating into a sustainable increase in value for its shareowners.

Who owns us

JSW Steel is a US$2.15 billion Company of JSW Group and a part of the US$6 billion O.P. Jindal Group. The Group's other profitable businesses comprise power, logistics, long and flat steel products. The promoters hold a 46.53% stake in the Company.

What we make and sell

JSW Steel is a flat steel manufacturer feeding India's growing demand for automobiles and consumer durables (among other sectors). The Company has captured the entire value-chain from pellets to slabs to HR coils to CR coils to galvanised products and colour coated galvanised products.

How we make what we sell

JSW Steel is the only Company in India and among only three global steel manufacturers to use the revolutionary COREX technology to manufacture steel. The Company has supplemented its manufacturing facilities with two blast furnaces. It is also among the few integrated steel plants in India to use an oxygen-based steel making process with continuous casting and hot rolling facility.

Where we stand

JSW Steel has the largest galvanised steel production facility in India and is the largest exporter of galvanized coils in India. Besides, the Company's product basket includes specialised grades of hot rolled products. In addition, the Company widened customer choice through the introduction of colour coated galvanised products.

How we manage our business

JSW Steel has segregated its upstream and downstream facilities across two Strategic Business Units. The former comprises products upto HR coils while the latter comprises HR plates, CR coils and galvanised products.

Where we are located

Upstream SBU: Across more than 5,600 acres in Toranagallu in the rich iron ore belt of Bellary-Hospet, Karnataka. It is located within 450 kms of the Chennai and Goa ports and 340 kms from Bangalore. Downstream SBU: Located at Vasind and Tarapur in Maharashtra, about 100 kms from Mumbai.

What capacity we possess

Upstream SBU: Pellets (5 MTPA), Crude Steel (3.8 MTPA) and HR Coils (2.5 MTPA). Downstream SBU: HR Plates (0.28 MTPA), CR Coils (1.0 MTPA), Galvanising Plant (0.90 MTPA) and Colour Coated facility (0.10 MTPA).

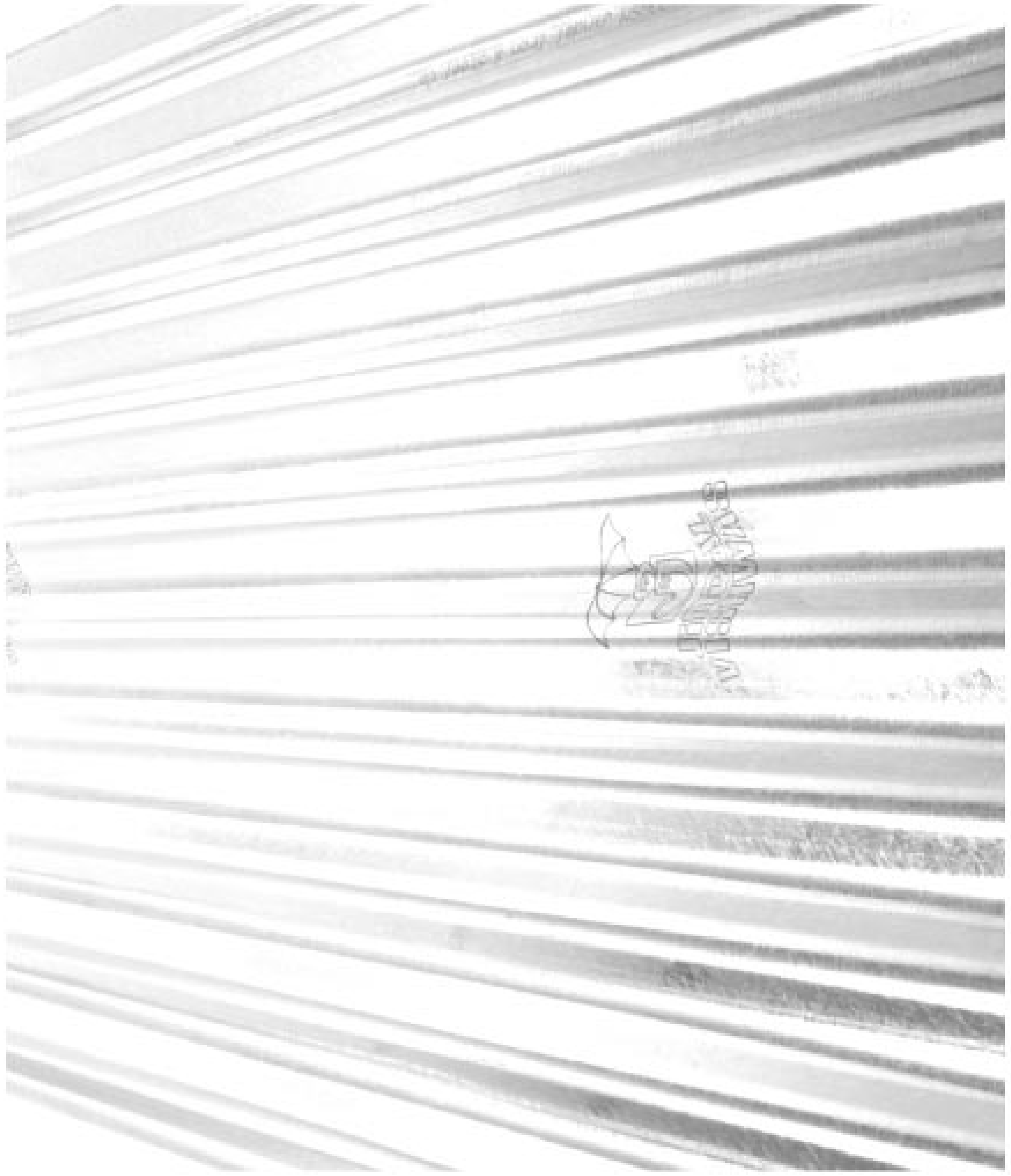
Where we sell

JSW Steel is the only flat steel producer in South India, with a market share in excess of 15% (March 31, 2007). Besides, the Company has its global footprint across more than 80 countries, exports contributing 38.5% to its revenue.

Where we are traded

JSW Steel's shares are traded on the Mumbai and National Stock Exchanges. The Company's market capitalisation was Rs. 8,092 crores as on 31st March 2007 on the Bombay Stock Exchange.

Gross Sales	Exports	EBIDTA	Profit after tax
Rs. 9,337.34 Crores	Rs. 3,593.64 Crores	Rs. 2,921.97 Crores	Rs. 1,292.00 Crores



Our vision

- The preparation and grooming of the next generation of young thinkers.
- The continuous improvement of cost stewardship in the value chain.
- The ability to nurture lasting customer relationships, by anticipating needs and delivering beyond expectations.
- The catalyst for growth amongst the nation's steel industries.
- The marketing of value-added branded products for domestic and global markets.

Our values

Our corporate values are dear to us and they guide our approach to work and environment, transforming the way we deliver our products and services. And our corporate values encourage young thinking because…

Young thinking is crystal clear

Openness and transparency above all else. Be it in our transactions, our operations or our interactions with our stakeholders.

Young thinking fosters leadership

Every man is his own master. Every man has the ability to make vital decisions at every level. It is the quality, the speed, the resilience and the coherence with which those decisions are made that determine true leadership.

Young thinking is unique

No two problems can benefit from the same solution. It is our job, therefore, to differentiate the benefit of our actions so as to be able to provide our customers and the community at large, superior products.

Young thinking is for winners

To innovate, to benchmark, to strive and to deliver value beyond expectations.

How we enhanced value for our shareowners in 2006-07.

Numbers

32% revenue growth from Rs. 6,598.49 crores in 2005-06 to Rs. 8,699.59 crores in 2006-07.
37% EBIDTA growth from Rs. 2,133.46 crores in 2005-06 to Rs. 2,921.97 crores in 2006-07.
51% net profit growth from Rs. 856.53 crores in 2005-06 to Rs. 1,292.00 crores in 2006-07.
43% cash profit growth from Rs. 1,769.50 crores in 2005-06 to Rs. 2,522.43 crores in 2006-07.

Derivatives

610 basis point increase in the Operating EBIDTA margin.
125 basis point increase in the net profit margin.
272 basis point increase in the return on employed capital.
42% increase in the earning per share from Rs. 55.57 in 2005-06 to Rs. 78.88 in 2006-07.

Market capitalisation at Rs. 8092 crores growth 70% in 2006-07

Operations

- Production of 2.939 million tonnes of hot metal, a growth of 23% over the previous year.
- Coke ovens certified to OHSAS 18001:1999, ISO 9001:2000, and ISO 14001:2004.
- Receipt of the 'Par Excellence' award by the Quality circle 'Tungabhadra' at the National Convention on Quality Circles 2006.
- Successful implementation of gunniting of the Corex melter-gasifier unit.
- Yield improvement in the caster from 98.54% in 2005-06 to 98.63% in 2006-07.
- Appreciable improvement in efficiencies in the Hot Strip Mill due to lower power consumption.
- De-bottlenecking of the pre-rolling capacity at the CR Mill resulting in a larger feed from 59 coils per day to 72 coils per day.
- Introduction of eight new product varieties - chrome and hexachrome-free.

Marketing

Return on Capital Employed 23.77% for 2006-07

- Growth in export earnings by 53.7%.
- Increase in the average realisation per tonne of steel sold by 12%.
- Export consignments of colour coated products to the US and EU within only six months of commissioning of the facility.

Project management

- Second blast furnace commissioned in September 2006, reinforcing the steel making capacity by 1.3 MTPA.
- Expanded pellet making capacity from 4.2 MTPA to 5 MTPA through the addition of balancing equipment.
- Commissioning of coke oven batteries in 2004 and 2006.
- Commencement of an expansion in steel making capacity by 3 MTPA.
- Modernisation of the hot strip mill for increasing capacity from 2.0 MTPA to 2.5 MTPA.

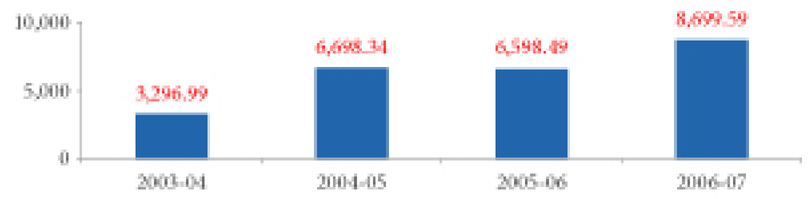
Fiscal management

- Rise in interest cover from 5.86 in 2005-06 to 7.31 in 2006-07.
- Mobilisation of a long term US$ 150 million 7 year pre-export finance facility, a first for corporate India.
- Achieved financial closure for the 2.8 MTPA expansion project.

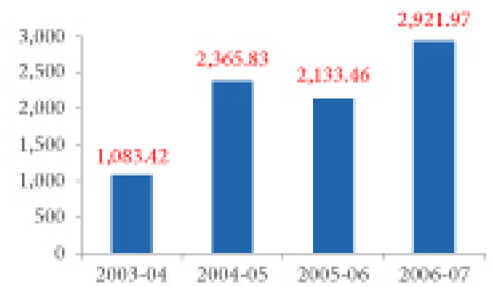
Boardroom decisions

- Decided to set up a hot strip mill at the existing site of 2 MTPA in the first phase.
- Drew up the blueprint for the next phase of expansion at its Vijayanagar Works -- a capacity of 10 MTPA by 2010.
- Drew the blueprint for a multi-locational presence to capitalise on opportunities in different regions -- signed agreement/MOU with the West Bengal and Jharkhand governments for 10 MTPA greenfield plants in each State.
- Formed three wholly-owned subsidiaries with a clear business plan for each entity.

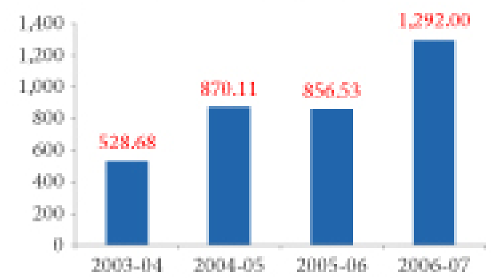
Revenue (Rs. in crores)



EBIDTA (Rs. in crores)



PAT (Rs. in crores)



We are investing over Rs. 15,000 crores between 2007 and 2010

Ongoing projects -- brownfield

1) Expansion and diversification

Expansion - 2.8 MTPA crude steel

Rationale: The Company expects to achieve 6.8 MTPA in operational capacity by 2009.

Technology: The Company is setting up its third blast furnace to enhance steel making capacity.

Other additions: The Company is setting up a recovery type coke oven unit (1.5 MTPA capacity) and an additional sinter plant (2.3 MTPA) to address growing input needs.

Funding: The project cost of Rs. 5,300 crores will be financed by debt (Rs. 3,000 crores) and accruals (Rs. 2,300 crores). The Company's debt requirements were funded through rupee debt of Rs. 1980 crores, foreign exchange loan of US$ 75 million and an advance of US$ 150 million against prospective exports.

Status: More than 24% of the civil, 15% of the structural fabrication and 11% of structural erection works were completed (31st March, 2007); critical equipment orders were finalised. The project is expected to go on stream by March 2009.

Diversification – Entry into long products

Rationale: Significant increase in the demand for long products on account of the thrust on infrastructure by the Government. The increase in realisation from long products over slabs strengthened the Company's profitability.

Capability: The Company has provided for 1.5 MTPA of long products in its ongoing expansion. The facility - 1.5 MTPA billet caster, 0.9 MTPA bar mill and 0.6 MTPA wire rod mill - is expected to be operational by March, 2009.

2) Other projects

Blast furnace: The Company is working on a Rs. 150 crores modification in the Blast Furnace 1, which will increase capacity by 0.3 MTPA. The project is likely to be completed during 2008-09.

Hot strip mill: The Company is enhancing mill capacity from 2.5 MTPA to 3.2 MTPA by 2007-08 at an investment of Rs. 75 crores.

Ongoing projects – greenfield

1) Hot strip mill

Rationale: The capacity enhancement (6.8 MTPA) will generate a surplus of slab of 2 MTPA. The Company plans to add value to this surplus output through this hot strip mill with an equivalent capacity.
significantly higher than their respective conversion costs, strengthening our profitability.

Capability: The new hot strip mill will extend production capabilities from 1320 mm (maximum width) and 1.8 mm (minimum thickness) to varied high-end HR products of 2100 mm (maximum width) and 1.5 mm to 25.4 mm (thickness range). This will be the widest HR coil mill in India.

Funding: The Company is investing Rs. 2,000 crores in this project at Bellary; Rs. 800 crores will be financed through cash accruals and the rest through debt.

Scalability: The unit can be scaled up to 5 MTPA with marginal investment.

2) Cold rolling mill

Rationale: To capitalise on the increased demand of flat steel from the automobile, white goods and housing sectors. The 1 MTPA unit will address the rising CRCA and HRPO demand in south India and strengthen margins.

Technology: In a break from convention, the double strand reversible unit will lead to better product quality and variety.

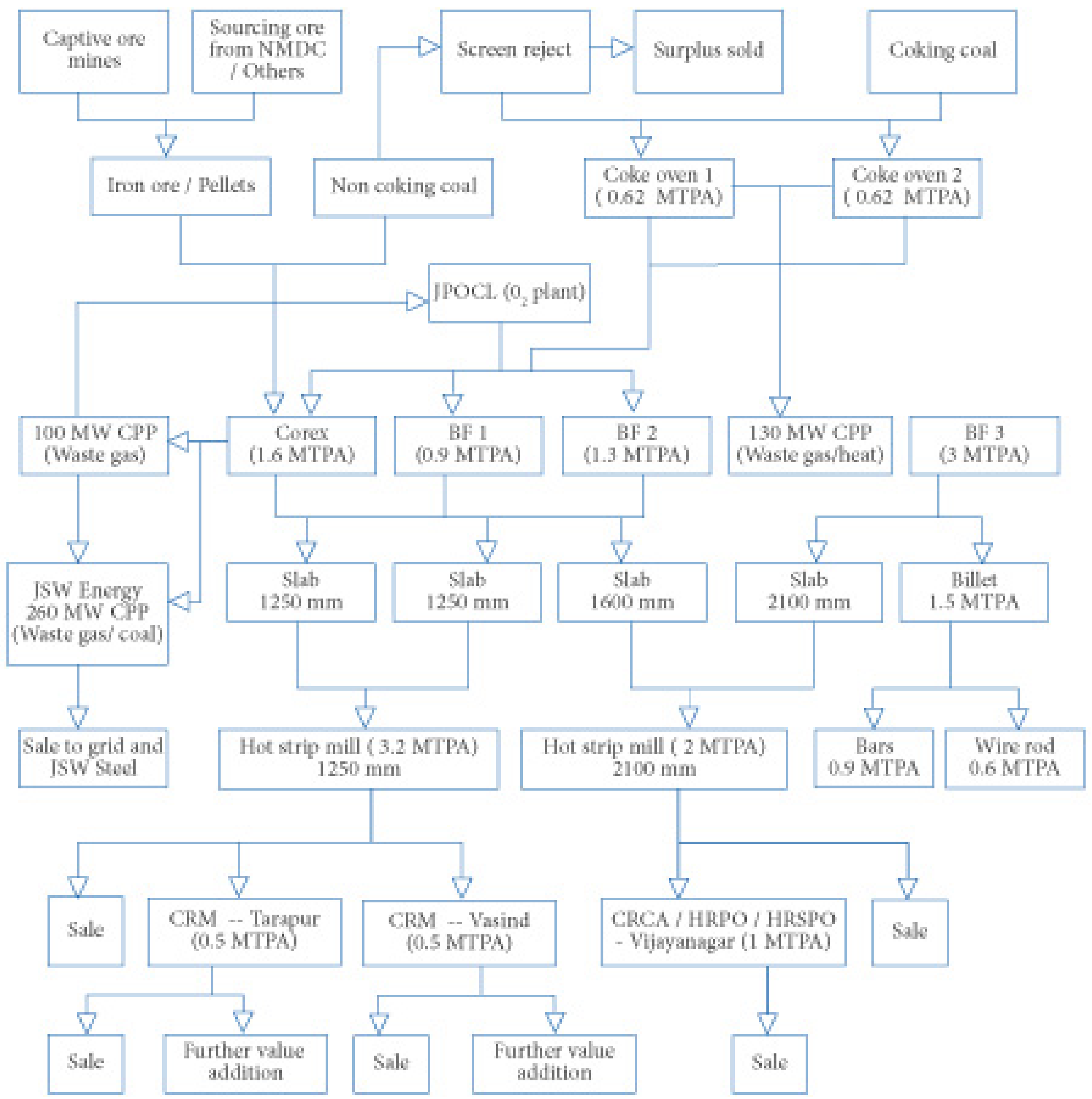
Capability: The Company will be able to utilise larger HR products (1550 mm width) and manufacture a larger value-added range (thickness between 0.30 mm to 2.50 mm) in addition to savings in logistics during the transfer of products from plant site to downstream units.

Product	Capacity (TPA)	End-use
HRPO	200,000	Body and bumper of commercial vehicles
CRCA	800,000	Wider width product to cater to the outer body panel of auto industry

Funding: The Rs. 1,088 crores investment will be funded by debt (Rs. 600 crores) and accruals (Rs. 488 crores).

Status: The project is expected to be commissioned in the Q2 of 2007-08.

JSW Steel of 2009



New projects

1) Vision 10 by 10

Rationale: To capitalise on the growing demand of steel within the country, the Company has set a goal of achieving a capacity of 10 MTPA by 2010 through the brownfield route at its existing Vijayanagar Works, a faster and more cost effective strategy.

Funding: The project of Rs. 7,000 crores is expected to be funded through a prudent mix of debt and internal accruals.

Competitiveness: This project is expected to strengthen the Company's competitive edge by reducing the specific capital cost to a little below Rs. 25,000 per tonne of crude steel, well below the international benchmark.

2) Multi locational presence

West Bengal: JSW Steel has signed a deal for setting up a 10 MTPA greenfield steel unit at Salboni, West Bengal over a period of 12 years. The unit, to be set up in phased manner, will require an investment of Rs. 35,000 crores.

Jharkhand: The Company also entered into a MoU with the State Government of Jharkhand, for a 10 MTPA greenfield steel plant at an investment of Rs. 35,000 crores. The proposed plant will be commissioned in a phased manner, and will also generate 800 MW of thermal power and create vast employment opportunities through backward and forward linkages.

"Our business focus is clearly volumes, cost and value addition... which will sustain our profitability and our stakeholder value creation model over the long term"

Q & A Session with Dr. B. N. Singh, Jt. Managing Director

Were you happy with the Company's performance in 2006-07?

Very much! It was a satisfying year for JSW Steel, reflected in our ability to enhance volumes, cut costs and add value. Our success in these areas will help de-risk our business model from industry cyclicality. For instance,

- Growing volumes will translate into superior economies of scale, lower costs and global competitiveness.
- Cost reduction will enable us to protect our profitability in adverse industry cycles making us progressively independent of conditions beyond our control.
- Value-addition will translate into incremental EBIDTA with additional realisations far in excess of incidental conversion costs.

What volume-enhancing initiatives did the Company undertake in 2006-07?

In addition to de-bottlenecking other units, we increased our steel making capacity by 1.3 MTPA, commissioning the blast furnace in a record 17 months against the prevailing industry benchmark of 24 months. Going ahead, this will help reduce production cost per tonne of steel and enhance revenue-generating capacity.

What is the Company's philosophy with regard to increasing non-capacity related investments each year?

I refer to it as the suction principle in which we continuously raise the bar for an organisation wide operational efficiency, resulting in processes that need to be continuously tweaked for progressively superior performance. So during the year under review, we embarked on the following initiatives:

- Commissioned the auxiliary units for the 1.3 MTPA steel making facility, namely coke oven units and sinter plant, which when combined with the pellet unit, enables the Company to use inputs like iron ore and coal in the form of fines or lumps, enhancing flexibility.
- Enhanced significantly the refractory life in the BOF unit.
- Reduced effective zinc consumption in the manufacture of galvanized products.
- Increased plant automation across several areas, enhancing productivity.
- Rationalised power consumption.
- Improved roller life and reduced costs.

What initiatives enhanced value for the business in 2006-07?

There were principally two important initiatives that we embarked in this area in 2006-07:

- In the Upstream unit, we expanded our hot strip mill capacity from 2 MTPA to 2.5 MTPA.
- In the Downstream unit, we stabilised operations of the colour-coated galvanizing facility; a significant volume of the products from this unit found a quality acceptance in developed economies.

  It would be interesting to note that the additional revenue from these value-added products will be significantly higher than their respective conversion costs, strengthening our profitability.

Aside from the value-addition derived from products, improved operations delivered considerable value during the year under review:

- Increased captive power generation from 94 MW in 2005-06 to 143 MW in 2006-07.
- Reduced power consumption by 1.2% for every tonne of HR coil produced.
- Commissioned coke oven units enabling the use of coking coal as opposed to coke.
- Economies of scale due to increased volume of production.

These translated into a significant impact. However, while their impact was only marginal in 2006-07, we expect the benefit to be far more significant in the coming years.

How does the Company expect to enhance value over the coming years?

On the volume side, we are expanding our crude steel capacity to 6.8 MTPA by March 2009. On the value-addition side, the following initiatives have been outlined:

- Capacity expansion of the existing hot strip mill capacity by 0.7 MTPA.
- Commissioning of a new state-of-the-art 2 MTPA hot strip mill.
- Setting up a 1 MTPA cold rolling facility and increasing the manufacturing capability of the CRCA unit.
- Expansion of capacity of our colour-coating unit.
- Introduction of the 'GALVALUME' product, a value-addition over galvanized steel.

  Entry into the manufacture of long products, where demand is strong and realisations stable.

Shareholders will want to know why the Company, despite having established its leadership with the Corex technology, has opted for the blast furnace route for subsequent expansions?

Corex is a relatively new steel making technology with a proven efficiency only up to production capacities of 0.8 MTPA. In view of this, we considered it prudent to use the blast furnace route where a single unit can be raised to 3 MTPA of hot metal capacity, making our capital investment safe and cost effective. Incidentally, Bao Steel (China) is setting up a 1.5 MTPA capacity using the Corex technology, the result of which is keenly awaited.

How will this switch impact cost, especially with a change in input from soft-coking coal to coke?

While our input will change from soft-coking coal to coke, I do not foresee an increase in manufacturing costs for two reasons:

New technology: Technological upgradation in the Blast Furnace technology has enabled a partial replacement of coke with coking coal, which is expected to have a significant impact on the conversion cost for crude steel.

In addition, blending of cheaper coals with Hard coking coal for coke making has resulted in a decline in manufacturing costs over the recent years.

Economies of scale: We are putting up a significantly large blast furnace (4019 cc m capacity) to reduce our conversion cost by an approximate 15-20% over our existing blast furnaces, strengthening our competitive edge.

What is your industry outlook?

I am optimistic about the prospects of the Indian steel industry in view of a significant projected growth in the demand curve. Consider the following:

- The Government expects to raise production from 45 MTPA to 110 MTPA by 2020, which is conservative considering the demand from user industries is based on a CAGR of 7%.
- Steel consumption follows a sensitivity factor of 1.2 – 1.3x of the GDP; assuming even a conservative 8% GDP growth, a 10% steel industry growth can be considered realistic.
- A sustained growth at this rate will raise the demand for crude steel to an estimated 194 MTPA by 2020, considerably higher than the government's target.
- On the more optimistic side, India's steel demand could cross 200 MTPA on the basis of a 12.5% compounded industry growth, nearly twice the government's target.

How does the Company expect to capitalise on this growing demand?

Through two initiatives – linear and lateral expansion.

- Linear: The Company has outlined a goal for its Vijayanagar unit – Vision '10 by 10', which will translate into 10 MTPA of production capacity by 2010. Additionally, the Company has signed MoUs with the Governments of West Bengal and Jharkhand to set up other greenfield 10 MTPA integrated facilities in phases.
- Lateral: During the course of our ongoing expansion (3.8 MTPA to 6.8 MTPA) we are creating a capacity of 1.5 MTPA dedicated to long products, which will enable us to capitalise on the infrastructure boom in India.

"Our growth strategy is cautiously aggressive ... ensuring that we add value and increase wealth for our stakeholders consistently over the coming years."

Mr. Seshagiri Rao MVS, Director (Finance), reviews the Company's 2006-07 performance

Would you rate 2006-07 as a good year for the Company?

It was a good year: revenues increased by 32%, EBIDTA profit increased by 37% and profit after tax by 51%. It is heartening to note that return on capital employed strengthened by 272 basis points over the previous fiscal, which is significant when we take into account that a Rs. 1,694 crores of investment that we made during the year under review will generate returns only from 2008-09 onwards. Here I must indicate that we strengthened our Operating EBIDTA margin by 610 basis points to 33.20% in 2006-07.

You strengthened your Operating EBIDTA margin despite an increase in input costs. How?

During the year under review, we strengthened our cost management with the objective to contain inflation and improve productivity through the following initiatives:

Project-based cost management

- We increased our coke capacity and commissioned a 130 MW gas-based power plant, thereby reducing our power cost per tonne of crude steel.
- We increased steel making capacity by 1.3 MTPA through the installation of the second blast furnace resulting in significant economies of scale.

Process-linked cost reduction

- We successfully doubled the life of the refractory lining in our steel melting shop, establishing a new industry benchmark.
- We enhanced input (coal dust and fines) efficiency, resulting in significant cost savings.
- We implemented Six Sigma initiatives in downstream units leading to a streamlining of systems leading to cost savings.

A rise in coal and iron ore prices makes it imperative to secure their prospective supplies. What are you doing in this regard?

While we are the most competitive in the conversion cost of crude steel, we are aware of the strategic competitive edge of being a completely integrated unit. Hence, we are seized of the need for a captive ownership of our principal raw materials, resulting in our ability to cap costs and remain viable during various industry cycles. Our initiatives in this regard have been as follows:

Iron ore: Our upstream unit is located in an ore rich belt of Karnataka, which accounts for about 11% of the national reserves. We also enjoy long-term MoUs with NMDC/others and our captive mines account for about 25-30% of our requirement. As a result, we consider ourselves fairly secure in terms of sustainable ore availability. I also take this opportunity to highlight the relevance of our location in terms of the logistics cost. We get all our iron ore from within a radius of 20 kms from the plant site, reducing logistics cost significantly. Going ahead, we are looking at sourcing close to 30-50% of our requirement from captive sources.

Coal: Presently, we are drawing our entire coal requirements from Australia and South Africa through stable long-term contracts. We have also created a subsidiary with a proposed capital of US$ 25 million to acquire coal assets. The Company has identified coal blocks in Africa and initiated the relevant financial, legal and technical diligence; it also expects to prospect attractive coal assets in Australia leading to self-sufficiency.

What other initiatives did the Company take to reduce interest costs in a rising interest rate environment?

Our growing cash flow enabled us to repay debts faster; we also swapped high cost debt with lower cost options. Despite an upward movement in the coupon rate of debt in the international and domestic markets, we were able to maintain our average debt cost at the previous year's level of around 8%. As a result, our interest cover strengthened from 5.86 in 2005-06 to 7.31 in 2006-07.

Where do you see the industry over the coming years?

The Indian steel industry has a bright future. Generally, the steel industry's growth is in line with GDP growth during the initial years, following which it surpasses GDP growth. India is poised at a stage when sectoral growth will far exceed GDP growth for the following reasons:

Automobile and consumer durables: Both these sectors are reporting double-digit growth, which is expected to sustain in view of the following realities:

- Growing disposable incomes in the hands of the average Indian; salaries have grown by 25-30% over the last few years.
- Easy access to multiple consumer friendly financing options.

Auto-components: The increasing outsourcing of auto components by global OEMs from India is expected to drive steel demand exponentially.

Housing: According to an Assocham study, the Indian housing sector faces a shortage of 20 million dwelling units for its lower middle and low-income groups; this will increase to 22.5 million dwelling units by the end of the 10th Plan period. Demand is expected to grow by 90 million units by 2020.

Infrastructure: The huge Government-led infrastructural thrust is expected to exponentially drive steel offtake.

Consider this: investments to be made over the next few years are around $ 350 billion.

As a result, India's steel demand is expected to grow from the present 43.7 MTPA to an approximate 77 MTPA by 2011-12 at the rate of not less than 10%.

How will JSW Steel capitalise on this opportunity?

The Company has proactively embarked upon the following capacity enhancement - brownfield and greenfield - and value-addition initiatives, investing more than Rs 15,000 crores over the next five years:

Capacity growth: Even as we completed the first phase of our expansion plan (from 2.5 MTPA to 3.8 MTPA) during the year under review, we embarked on the second phase to increase production capacity to 6.8 MTPA by March 2009, which will be followed by a third round that will facilitate our achieving the global benchmark of 10 MTPA. Besides, we plan to commission greenfield units in West Bengal, Orissa and Jharkhand over the coming years.

Value-addition: We are adding a state-of-the-art hot strip mill and cold rolling facility at our Vijayanagar works, to strengthen realisations and profitability. We are also diversifying into long products used in the construction sector with a dedicated 1.5 MTPA capacity during our second phase of expansion.

Is the Company looking at opportunities outside India?

Due to a distinctively low cost advantage, our business model will emphasise India as a manufacturing hub for basic steel making. In view of this, we will scout for international opportunities only in the area of value-added steel, with a view to utilise basic steel produced by us in India. In this connection, we embarked on the following initiatives:

- Approved the formation of a wholly owned London-based subsidiary with an investment of up to GBP 7.5 million.
- Appraising the acquisition of value-added facilities in Europe and the US.

Will these initiatives stretch the Company's financials?

It would be pertinent to indicate that we have tied up the funds for capacity expansion and new hot strip mill, de-risking implementation. We have opted for a prudent mix of debt and equity for funding these projects without stretching the Company's overall gearing beyond 1.0 and have maintained a debt to EBIDTA (project basis) of not more than 3.0. Besides, these projects will be phased, enabling the earlier ones to start generating a payback and relieving the later capex of funding constraints.

What was satisfying was our US$ 150 million funding of our brownfield steel project, the first of its kind in Asia. As a part of the agreement, we received an advance against long-term exports to Duferco, Switzerland. In turn, Duferco S.A. raised a seven-year US$150 million syndicated loan facility to explicitly transfer the proceeds as an advance payment.

How does the Company expect to enhance shareholder value?

Primarily through our business strategy: volume-driven growth, a continuous endeavour to reduce costs and prudent financial policies. In doing so, we expect to report increasing margins during industry upswings and profit declines that are less pronounced than the rest of the industry during downtrends. This will enable the Company to progressively insulate its performance from industry cyclicality. As an extension, we expect to report a dividend payout that reconciles the Company's need to conserve resources for business plough back with its need to reward shareholders.

Income from the 'intangible'

JSW Steel received clearance for its carbon credit project from the Executive Body of the Clean Development Mechanism under the United Nations Framework Convention of Climate Change.

Waste gases emitted by the Company's Karnataka steel plant (7,500 tonnes per day) are being utilised for generating power for captive consumption, which reduces emissions from the steel and power plants.

Over ten years (from April 2005), the plant can potentially reduce carbon emissions to the tune of 7.67 million CERs. Each CER stands for one tonne equivalent of carbon dioxide reduced and can be globally traded.

In view of the integrated business model approach at all (present and future) locations, more such projects are probable.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report of your Company along with the Audited Accounts for the year ended 31st March 2007.

1. FINANCIAL RESULTS

Rs. in crores

Sr. No.	Particulars	31.03.2007	31.03.2006
i)	Gross Sales	9,337.34	6,801.52
ii)	Net Sales	8,594.44	6,215.53
iii)	Other Income	105.15	382.96
iv)	Total Revenue	8,699.59	6,598.49
v)	Gross Profit before Interest, Depreciation, Miscellaneous Expenditure written off & Taxation	2,921.97	2,133.46
vi)	Interest	399.54	363.96
vii)	Depreciation and Miscellaneous Expenditure written off	607.25	467.61
viii)	Profit before Taxation	1,915.18	1,301.89
ix)	Tax including Deferred Tax and Fringe Benefit tax	623.18	445.36
x)	Net Profit	1,292.00	856.53
xi)	Profit Brought forward from Previous Year	1,331.66	719.57
xii)	Amount available for appropriation	2,623.66	1,576.10
xiii)	Appropriations:		
	Transferred from Debenture Redemption Reserve	(39.48)	(17.00)
	Dividend on Preference Shares	27.90	27.90
	Interim Dividend on Equity Shares	204.98	–
	Proposed Final Dividend on Equity Shares	–	125.58
	Corporate Dividend Tax	33.49	21.53
	Transfer to General Reserve	129.21	86.43
	Total	356.10	244.44
xiv)	Balance carried to Balance Sheet	2,267.56	1,331.66

Your Company has successfully commissioned 1.3 MTPA crude steel capacity expansion, modernization of Hot Strip Mill increasing the capacity from 2 to 2.5 MTPA, expanding the capacity of pellet plant from 4.2 MTPA to 5 MTPA during the financial year under review which contributed to achieve a Crude Steel production of 2.652 million tonnes showing a growth of 18%. The cost reduction initiatives namely increasing the proportion of captive coke and power, Coal Dust Injection (CDI) in the Blast Furnace, use of Sinter fines in Corex acted as a mitigant against raising input costs. Higher volumes, improved realisations and cost savings initiatives pushed the EBIDTA margin to 34%. The Company posted a net profit of Rs.1,292 crores on net sales of Rs.8,594.44 crores for the year. The long term debt gearing has come down to 0.75 from 0.96 in the previous year due to repayment of loans aggregating to Rs.1,018 crores during the year.

One of the furnaces was to be shut down in February 2007 due to accidental fire, which resulted in loss of production, and this furnace was recommissioned on April 12, 2007 after repairs. The insurance claim towards loss of profits receivables from Insurance Company along with one other claim aggregating to Rs. 65.85 crores was included in other income.

Pursuant to Accounting Standard (AS) - 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, Consolidated financial statements presented by the Company include financial information of its subsidiaries. On an application made by the Company under Section 212 (8) of the Companies Act 1956, to the Central Government seeking exemption from attaching a copy of the Balance Sheet, Profit & Loss account and other documents of the subsidiary companies required to be attached under section 212 (1) of the Act to the Balance Sheet of the Company, the Central Government has vide its letter No. 47/194/2007 CL-III dated 18th April, 2007 granted exemption from complying with this requirement. However, the aforesaid documents relating to the subsidiary companies and the related detailed information will be made available upon request by any member or investor of the Company/ subsidiary companies. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor at the registered office of the Company and also that of the subsidiary companies.

The Consolidated financial Statements also reflect minority interest in Associates as per Accounting Standard (AS) - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" and proportionate share of interest in Joint venture as per Accounting Standard (AS) - 27 on "Financial Reporting of Interests in Joint Ventures".

2. DIVIDEND

Your Directors recommend dividend at the stipulated rate of Re. 1/- per share (10%) on the 10% Cumulative Redeemable Preference Shares of Rs.10/- each for the financial year ended 31st March, 2007 for your approval.

Considering the excellent performance for the year under review and the financial position of the Company, your Directors at their meeting held on 13.03.2007 declared an interim Dividend of Rs.12.50 per Equity Share of Rs. 10.00 for F.Y. 2006-07. Together with the Corporate Tax on Dividend, the total outflow on account of dividend was Rs.233.73 crores, vis a-vis Rs. 143.19 crores paid for F.Y. 2005-06, an increase of 63%. Considering the same, your Directors at their meeting held on date, have decided not to recommend any final dividend and to treat the interim dividend as final dividend. The interim dividend shall be fully adjusted as final dividend for the financial year ended on 31st March, 2007.

3. PROJECTS AND EXPANSION PLANS

a) Projects under Commissioning in FY 2007-08 to 2009-10

- The 1 MTPA Cold Rolling Mill complex is expected to be operational in second quarter FY 2007-08. The Phase II Modernization of Hot Strip Mill increasing the capacity from 2.5 to 3.2 MTPA and modernization of Blast Furnace - I to increase capacity from 0.9 to 1.2 MTPA will be ready during 2007 to 2009.
- Setting up of new Hot Strip Mill with 2 MTPA expandable at a marginal investment to 5 MTPA is also expected to be commissioned by end of September 2009.
- Further expansion of Crude Steel capacity by 2.8 MTPA to reach 6.8 MTPA by March 2009 is under way.

The work on these projects is progressing quite satisfactorily. They are expected to be operational in phases showing volume growth and improvement in the product mix.

b) New Projects:

Expansion of capacity to 10 MTPA

- India is the 2nd fastest growing economy in the world. The steel consumption in the last year grew at 12%. The automotive, consumer durables, auto components, infrastructure, construction and housing sectors are showing double digit growth which drives up steel demand. The total consumption of steel in India is expected to reach 70 million tonnes by 2011 even assuming a conservative growth rate of 10%. As no big green field capacity is expected to be operational in the foreseeable future, your Company is in a distinct advantage to undertake brown field expansions and make them operational to leverage this opportunity.
- The Company's new Hot Strip Mill being set up at an initial capacity of 2 MTPA can be expanded to 5 MTPA with marginal investment. The inherent capacity available in the Hot Strip Mill is also an added advantage to create crude steel capacity as a backward integration to enhance the value.
- The project configuration includes : New sinter plant, Coke oven, Blast furnaces, 2 Converters, 2 Casters, 2 Lime Klins, 300 MW Captive Power Plant, dedicated water pipe line from Almatti dam from Andhra Pradesh, dedicated railway corridor for transporting Ore from mine to the plant with all other associated logistics, utilities and common facilities.
- The implementation period is estimated to be 3 years starting from 1st October 2007. The cost of the project is worked out at Rs.7,000 crores to be financed by way of cash accruals Rs.2,000 crores and balance through Foreign Currency Convertible Bonds / EURO bonds /Foreign Currency loans / Structured finance products / Rupee loans. The Company is in touch with various Investment / Merchant bankers to work out the right mix of debt to finance this project and other ongoing projects. Considering the attractive returns on project faster brownfield expansions at low specific investment cost per tonne, favourable capital market environment to raise resources to finance the Capital Expenditure Programme of the Company and positive steel industry scenario, it is decided to take up the implementation of this project to be commissioned by 2010. The Company expects to maintain the debt gearing below 1 and debt to EBIDTA below 3 including the proposed debt financing up to 10 MTPA on the assumption of stable steel price outlook.

4. OTHER DEVELOPMENTS

a) MOU signed with State Govt. of Jharkhand

Your Company had signed a Memorandum of Understanding with State Govt. of Jharkhand for setting up a 10 MTPA green field steel plant in phases with an investment of Rs.35,000 crore.

Your Company had applied for allocation of captive coking coal blocks to the Ministry of Coal for the captive consumption of coal at its existing steel plant at Vijayanagar as well as the proposed steel plant at Jharkhand.

Ministry of Coal, Government of India has allotted Rohne Coal Block in the state of Jharkhand with geological reserves of 410 million tonnes and 250 million tonnes of mineable reserves of Medium and High grade Coking Coal jointly to the Company, and two other allottees in the ratio of 69%, 24% and 7% respectively. The annual capacity of the mine will be 8 MTPA and the output will be divided among the three companies in the ratio of their allotment.

A suitable consortium structure shall be formed between the Company and other Allottees for the development of mine and the infrastructure. The necessary environmental, forests and mining plan approvals shall be obtained in due course.

b) Formation of Joint Venture Subsidiary to implement West Bengal Steel Project

Your Company had executed a Development Agreement on 11th January 2007 with the Government of West Bengal, West Bengal Industrial Development Corporation (WBIDC) and West Bengal Mineral Development & Trading Corporation Ltd. (WBMDTC) for setting up a 10 MTPA steel plant in West Bengal in suitable phases at an estimated cost of Rs. 35,000 crores within 12 years from the date of execution of the Development Agreement (11th January, 2007).

A Joint Venture subsidiary for the purpose was incorporated on 20th April, 2007 by the name of "JSW Bengal Steel Limited".

c) Clean Development Mechanism (CDM) Project

As a part of Clean Development Mechanism (CDM) initiatives, your Company has developed a 100 MW Captive Power Plant using waste gases as a Clean Development Mechanism (CDM) Project, which was commissioned in April, 2005. This project has been registered by CDM Executive Board of UNFCCC on 12th January, 2007. As per the registered project design document, the company is eligible for a total 7673254 Certified Emission Reductions (CER's) from April 2005 to March 2015. The CER's will be issued after examination by the CDM Executive Board.

d) Acquisition of Cold Rolling Mill

Jindal Steel & Alloys Ltd. (JSAL), owns a 230,000 tonnes of Cold Rolling facility at Vasind adjacent to the Value Added Facility of your Company. As the operations of this Company are integrated with Downstream business, your Company has taken this facility on Conducting Basis for a period of 3 years which expires on 28th February 2009. In order to carry out the integrated operations uninterruptedly, it is in the interest of your Company to acquire this facility. Accordingly your Board has approved the acquisition of this unit on the terms to be approved by a Committee of Directors based on valuation by Independent Valuer. Subsequent to receipt of independent valuation report, the Committee of Directors approved the acquisition of this unit for a consideration of Rs. 63.34 crores to be discharged by taking over the liabilities of Rs. 61.98 crores and the balance of Rs.1.36 crores to be paid in cash subject to certain approvals to be received from JSAL. This acquisition will be completed on receipt of requisite approvals from JSAL.

5. PROSPECTS

The global finished steel consumption is expected to touch 1.178 billion tones in 2007 showing a growth of 5.8%. The policy announcements, namely reduction / removal of export rebates on steel products, imposition of export tax on semis, discouraging tolling activities through the levy of taxes, imposition of quantity restrictions on export of certain products show the intent of the Chinese policy makers to discourage export of low value added steel products. It is estimated by certain steel analysts that the net steel exports in 2007 from China will decline to approximately 10 million tones vis-a-vis 25 million tones in 2006. The weakening US Dollar is expected to keep the steel prices in Dollar terms at higher levels. Shortage of metallics, surging freight costs will continue to keep the cost of production high for steel manufacturers. The world economy is estimated to grow at 3.5% in 2007 as per IMF which is again a big positive for the steel industry. At the back drop of clocking 9.2% growth in GDP in 2006-07, India is poised to maintain the growth momentum. In this environment, 2007 is expected to be a good year for the steel industry.

6. FORMATION OF SUBSIDIARIES

The Board of Directors of your Company at its meetings held on 19.10.2006 & 22.01.2007 approved the formation of subsidiaries to augment its expansions & global reach.

Accordingly, the following subsidiaries were formed during the year under review:

i. A wholly owned subsidiary overseas by the name of **JSW NATURAL RESOURCES LIMITED** to pursue acquiring coal assets/other assets relating to steel business.

A Memorandum of Understanding has been signed to take-over of certain licenses in Africa subject to satisfactory due diligence. Following the encouraging due diligence reports, further MOUs were signed in March 2007 to acquire 2 more Licenses to increase the presence in Africa to achieve self sufficiency in coking coal gradually.

ii. A wholly owned subsidiary Company in London (UK) by the name of **JSW STEEL (UK) LIMITED** to strengthen and widen the Company's presence in the International Market and also to identify and speed up the acquisitions in Steel related businesses.

JSW Steel (UK) Limited, has entered into a Share Purchase Agreement in April 2007 to acquire 100% stake in Argent Independent Steel (Holdings) Ltd, UK, which in turn owns 100% shares of Argent Independent Steel Ltd. Argent Independent Steel owns a steel processing center strategically located at Newport, South Wales, UK and is about 2 Kms away from the seaport. This Company is involved in slitting, blanking, recoiling processes of steel products and is ISO 9001 and TS 16949 certified. The annual steel processing capacity of the Company is 0.15 MTPA. This Company is proposed to be acquired for a consideration of £3.75 million to be discharged by taking over the existing long term debt of £2.1 million and the balance £ 1.65 million payable is instalments by 31.12.2007 subject to satisfactory compliance of certain conditions. This acquisition will have synergies with the operations of the Company in leveraging the expertise of the target Company in the service centre, access to existing customer base in UK and European markets and also to further widen and consolidate future acquisition strategies in Europe.

iii. A wholly owned subsidiary Company in India by the name of **JSW STEEL PROCESSING CENTRES LIMITED** to set up service centres with a view to expand the reach of CRCA and HRPO steel products manufactured across the value chain and to meet the exacting demands of the user industry.

7. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

- **JSW ENERGY (VIJAYANAGAR) LIMITED**

JSW Energy (Vijayanagar) Limited (JEVL) is setting up a 600 MW Power Plant adjacent to steel plant of the Company in the state of Karnataka. A long-term Power Purchase Agreement has been signed by your Company with JEVL to buy 300 MW Power on two part tariff basis. The balance 300 MW of power is intended to be sold to third parties by this Company.

The captive Power Plant of 230 MW of your Company alongwith 300 MW under this long term Power Purchase Agreement will be adequate to meet the power requirement of your Company's Upstream unit upto 6.8 MTPA. Your company has committed to invest a total of Rs. 125 crores representing 26% shareholding in JEVL, against which an equity investment of Rs. 80 crores has already been made on 31st March, 2007.

- **JINDAL PRAXAIR OXYGEN COMPANY PRIVATE LIMITED (JPOCL):**

As per last Audited Financial Statement for the year ended 31st March, 2006 of JPOCL, the reported turnover and net profit after tax were Rs. 296.48 crores and Rs. 54 Crores respectively.

JPOCL has initiated arbitration proceedings before an arbitral tribunal of three arbitrators on certain items relating to consideration for the sale and supply of products such as oxygen, nitrogen and argon to the Company, as well as taxes and interest thereon. The arbitration proceedings are in progress. The claims of JPOCL have not been acknowledged by your Company as debts and have been classified as Contingent Liability. Similarly, the claims made by your Company have not been accounted pending their settlement.

- **VIJAYANAGAR MINERALS PRIVATE LIMITED (VMPL):**

During the F.Y. 2006-07, VMPL has supplied 1.20 Million tonnes of Iron Ore from Thimmappanagudi, which is 10% higher than the earlier years. VMPL has secured an approval for 2.5 MTPA of production from Government of Karnataka and Government of India and is planning to increase the production accordingly.

VMPL has bagged Excellency Award for Community Development during Mines Environment & Mineral Conservation Week Celebration 2007 held in February 2007. This award has been given in recognition of VMPL is social upliftment and care for the society surrounding their mine. This has given them the strength and belief that progress and prosperity has to get alongwith society and not in isolation.

8. CREDIT RATING

Credit Analysis & Research Ltd. (CARE) has assigned a rating of "CARE AA- (Double A minus)" to the secured Non-Convertible Debentures (NCDs) issue of Rs. 100 crores.

9. FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from the public and is therefore not required to furnish information in respect of outstanding deposits under Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1966 and Companies (Acceptance of Deposits) Rules, 1975.

10. SHARE CAPITAL

5,00,000 (Five Lac) Equity Shares of Rs.10 each to Mr. Sajjan Jindal & 65,00,000 (Sixty Five Lac) Equity Shares of Rs.10 each to JSW Investments Private Limited (Formerly Samarth Holdings Private Limited) were allotted on 20.03.2007 at a price of Rs. 272/- per share upon exercise of option attached to 'Series A' Equity Warrants held by them.

407 (Four hundred & seven only) Equity Shares of Rs.10 each were allotted during the F.Y 2006-07 against 407 (Four hundred & seven) Equity warrants upon annulment of forfeiture of shares to the holders thereof.

Forfeiture in respect of 52,300 equity shares (pre Scheme) were annulled upon appropriation of unidentified call money and 2,289 equity shares were issued during the F.Y 2006-07 in accordance with the terms of the Scheme of Arrangement & Amalgamation.

Forfeiture in respect of 600 equity shares held in the erstwhile Jindal Iron & Steel Company Limited were annulled and corresponding 600 equity shares of JSW Steel Limited were allotted to the eligible shareholders on 22.01.2007.

Accordingly, during the year under review your Company's paid up equity share capital has increased from Rs.156,97,55,170 to Rs. 163,97,88,130 comprising of 163,97,88,13 equity shares of Rs. 10/- each.

11. DIRECTORS

Mrs. Savitri Devi Jindal, Mr. Anthony Paul Pedder and Dr. Vijay Kelkar, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The proposals regarding their reappointment as Directors are placed for your approval.

Mr. Biswadip Gupta & Dr.Vinod Nowal were appointed by the Board of Directors of your Company in their meeting held on 30.04.2007 as Additional Directors w.e.f 30.04.2007 in terms of Article 123 of the Articles of Association of your Company and they hold office upto the date of the ensuing Annual General Meeting. Your Company has received notice under Section 257 of the Companies Act, 1956 from two shareholders proposing them for the Office of Director to be elected by the members in the ensuing Annual General Meeting.

In the same Board Meeting, Dr.Vinod Nowal was also appointed as a Whole-time Director of the Company designated as Director (Commercial) for a period Five years w.e.f 30.04.2007 subject to approval of the Members.

Your Directors have in their meeting held on 30th April 2007 also re-appointed Mr. Sajjan Jindal as Vice Chairman & Managing Director for a period of five years commencing from 7th July 2007 i.e. upto 6th July 2012 subject to the approval of Members.

The proposals regarding the appointment/re-appointment of the aforesaid Directors are also placed for your approval.

Other changes in the Board of Directors of your Company during the year under review are as follows:

Karnataka State Industrial Investment and Development Corporation Limited has nominated Mrs. Sobha Nambisan IAS, as its nominee Director in place of Mr. I.M. Vittala Murthy, IAS w.e.f. 18.05.2006.

Industrial Development Bank of India (IDBI) withdrew the nomination of Mr. K V Krishnamurthy as its nominee Director w.e.f. 11.12.2006.

Your Directors place on record their deep appreciation of the valuable services rendered by Mr.I.M. Vittala Murthy, IAS and Mr.K.V. Krishnamurthy during their tenure as Directors.

12. AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Act.

13. PARTICULARS REGARDING CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the statement annexed (Annexure "A") hereto forming part of the report.

14. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the statement annexed (Annexure "B") hereto forming part of the report.

15. AWARDS & RECOGNITION

Your Company and its employees are the proud recipients of the following awards during the year:

1. **National Sustainability Award-2006:** Second Prize amongst the Integrated Steel Plants Category by Indian Institute of Metals.
2. **CII Award for Business Excellence-2006:** "Commendation certificate for significant achievement" towards business excellence.
3. **India Manufacturing Excellence Award - 2006:** Corporate Gold Award in Metals Category by Frost & Sullivan.
4. **Greentech Foundation:** Gold Award in metal and mining sector-2006 for outstanding achievement in Environment Management.
5. **CIO 100** – "Giant 100 Honouree 2006" (IT Award).
6. **ATHYUNNATHA SURAKSHA PURASKARA** of National Safety Council - Karnataka Chapter for the year 2005
7. **DMA Erehwan HR Innovative Awards - 2006:** Second Place
8. **IMC Ramkrishna Bajaj National Quality Award - 2006:** Commendation certificate
9. **Greentech Foundation:** Silver Award in metal and mining sector-2006 for outstanding achievement in Safety Management by Greentech Foundation.
10. **NMD - ATM 2006:** JSW Steel presented the maximum number of papers (30) and won the following:
    - 1st Prize in Oral Presentation in Mineral Section
    - 1st Prize in Oral Presentation in Processes Section
    - 2nd Prize in Metallography
    - 2nd Prize in Poster Competition

16. CORPORATE GOVERNANCE

Your Company has complied with the requirements of clause 49 of the listing agreement regarding Corporate Governance.

A report on the Corporate Governance practices followed by the Company, the Auditors' Certificate on compliance of mandatory requirements thereof, CEO/CFO Certification and Management Discussion and Analysis are given as annexure to this report.

17. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

(ii) they have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a "going concern basis".

18. APPRECIATION

Your Directors take this opportunity to express their appreciation for the co-operation and assistance received from the Central Government, the Government of Karnataka, the Government of Maharashtra, the Financial Institutions, Banks as well as the Shareholders and Debenture holders during the year under review. Your Directors also wish to place on record their appreciation of the devoted and dedicated service rendered by all the employees of your Company.

For and on behalf of the Board of Directors

Savitri Devi Jindal
Date : April 30, 2007 Chairperson

ANNEXURE 'A' TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

The company has taken following measures towards conservation of energy :

- Changing of motor winding connections from delta to star at Colour Coating Line (CCL). It helps in conserving initial power during every start up.
- Installation of VFD Drives in ID Fans at Colour Coating Line. Inspite of fixed RPM, the prime mover rotates at optimum speed according to the load conditions.
- Installation of lighting transformer at Finishing Line shed. Keeping same illumination level, the input voltage has reduced from 220V to 180-185V & thus resulting in saving of approximately 15% power consumed at the finishing line shed for lighting.
- Energy efficient insulated DSL for energy conservation and safety.
- Non-electric LPG vaporizer for energy conservation.
- New Air oil lubrication system commissioned in CRM3 for higher bearing life and energy conservation.
- Replacement of 7,920 Nos of 100W incandescent / fluorescent tube light (FTL) with 20W compact fluorescent lamp (CFL) in the Township resulting in Energy savings of 1.22 MU/yr.
- Usage of Corex gas in CPP-II through Hot Gas Air generator resulting in increase in Power generation by 25 MW in CPP-II.
- Usage of 50% sinter in Blast Furnace resulted in Reduction of fuel rate, 50 kg/thm 0.35 Gcal/thm.
- Improvement of Coke CSR in Coke oven. Usage of Coke having higher CSR in Blast furnace resulted in Reduction of fuel rate, 8 kg/thm 0.07 Gcal/thm.
- Replacement of 100W GLS with 20W CFL resulting in Electrical energy saving of 0.528 MU /year.

The total energy consumption & energy consumption per unit of production is given in Form 'A'.

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Details of technology absorption are given in Form 'B'

C. FOREIGN EXCHANGE USED AND EARNED

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets or products and services and export plans

The Company's exports comprised H R Coils, C R Coils, Galvanized products, H R Plate, Slabs, Pig Iron and Colour Coated sheets . While virgin markets are being explored, your Company is leveraging its brand name in USA and Europe. Since a substantial part of the total revenue is generated through exports, your Company has a natural hedge covering the cost of imports there by insulating it from risks related to exchange fluctuations.

b) Total foreign exchange used and earned

Foreign exchange earnings during Financial Year 2006-07 were Rs. 3,316.33 crores as against Rs. 2,049.48 crores during the previous year, while the foreign exchange outgo during the year was Rs. 3,391.98 crores as against Rs. 2,470.05 crores during the previous year.

Form 'A'

Form for disclosure of particulars with respect to conservation of energy

A. POWER & FUEL CONSUMPTION

Particulars	Current Year	Previous Year
1. Electricity		
a) Purchased		
Unit (kwh) (in Lacs)	**949.71**	1,133.70
Total Amount (Rs. in Crores)	**45.71**	44.54
Rate / Unit (Rs.)	**4.81**	3.93
b) Own Generation		
i) Through Captive power plant		
Unit (kwh) (in Lacs)	**9,102.40**	8,293.31
Total Amount (Rs. in Crores)	**147.46**	127.35
Cost / Unit (Rs.)	**1.62**	1.52
ii) Through diesel generator		
Unit (kwh) (in Lacs)	**908.53**	1,105.26
Unit per per ltr of diesel	**3.43**	3.26
Total Amount (Rs. in Crores)	**31.23**	35.82
Cost / Unit (Rs.)	**3.44**	3.24
2. Coal + Coke		
Quantity (tonnes)	**32,17,510 t of Coal + 4,91,731 t of Coke**	28,14,683 t of Coal + 3,92,559 t of Coke
Total Amount (Rs in Crores)	**2,190.21**	1,936.09
Coal Rate (Rs. / t)	**5334**	5697
Coke Rate (Rs. / t)	**9641**	8471
3. Furnace Oil		
Quantity (K.Ltrs)	**11,775**	5,356
Total Amount (Rs in Crores)	**19.69**	7.52
Average Rate (Rs. / Ltrs)	**16.72**	14.05

Particulars	Current Year	Previous Year
4. LPG		
Quantity (tonnes)	**20,359**	19,569
Total Amount (Rs in Crores)	**61.07**	54.96
Average Rate (Rs. / MT)	**29,997**	28,084
5. Others / Internal generation		
Quantity (Water cu.nm)	**2,69,13,370**	2,14,21,230
Total Cost (Rs in crores)	**0.27**	0.38
Rate / Unit (Rs. / M3)	**0.100**	0.177

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Standards	Current Year	Previous Year
1. Hot Rolled Coils/Steel plates/ sheets:			
Electricity (kwh / t)	350	362.9	360
LPG (Kg / t)	1.3	1.5	1.2
Others (Specify) - Water (M3 / t)	5.5	5.5	5.1
2. Galvanised Coils/Sheets:			
Electricity (kwh / t)	218	199	212
LPG (Kg / t)	20	19	19

Form 'B'

Form of disclosure of particulars with respect to technology Absorption

Research and Development (R&D)

1. **Specific areas in which R&D activities were carried out by the company:**

   Research and Development activities were carried out in various technological areas, including Beneficiation of Iron-Ore, Pelletization and Sintering of Iron-Ore, Iron Making in Corex and Blast Furnace, Steel Making and Casting, Hot Rolling, and Cement making, with emphasis on improvement in quality, productivity, energy conservation, waste utilization, and cost reduction.

   R&D was also carried out for development of value added products in the form of 14 new grades to meet specific requirements of customers, including:

   - API grades for line pipe steel
   - Boiler Quality
   - Drawing and Deep Drawing Steels
   - Medium Carbon and High Tensile Steels
   - Micro-alloyed structural-grade steels
   - Auto and Tube makers grade

2. **Benefits derived as a result of R&D efforts:**

   - Improvement in quality of Coke with respect to CSR > 65% and CRI< 24% through optimization of coal blend for coke-making.
   - Utilisation of sinter-fines in Corex which helped improve productivity by 4%.
   - Improvement in Corex availability by reduction in occurrence of shaft jamming from 8 to 2/yr, through homogenization of the iron bearing charge. This resulted in a saving of Rs. 24 Crores.
   - Optimisation of the charging program and better burden distribution control with high pellet operation in Blast Furnace-1 has helped in increasing productivity to 2.2 t/m3/d and reduce fuel rate to 560 kg/thm.
   - Improvement in casting practice; reducing the tap opening time from 45 min to 30 min has helped improve the hearth permeability and thereby the productivity up to 10%.
   - A novel application of Iron-ore pellets in basic-oxygen-furnace for improved de-phosphorization.
   - Development of slag splashing technology and optimization of blow pattern to enhance converter life to 13771 heats, which is a national bench mark.
   - Introduction of bottom purging in tundish, that enables forced-flotation of inclusions, has improved steel cleanliness and reduced clogging of the tundish nozzle.
   - In addition to the above, following are some of the innovative solutions provided to the operation to facilitate smooth operation of the plant:

     a) Prediction Models
     - Top gas prediction model for BF
     - RAFT calculation model for BF
     - Hearth Wear Monitoring Model for Corex

     b) Optimisation Models
     - Optimisation of direct and indirect reduction model
     - Optimisation of burden distribution model
     - Initiation of building Intellectual Capital of the company in the form of following Patents and Copyrights

     i) Patent: Following Patent applications have been filed:
     - A Process for De-Phosphorization of Steel in LD Converter by Pellet Addition
     - A Dust Recycling System for Enhanced Availability of Corex
     - A Hot Coke Water Quenching System Adopted for Moisture Control in Quenched Coke
     - System for Control of Dust Emission from the doors of Non-Recovery Coke Oven
     - A System for On-line Cleaning of Cooling and Top Gas Packing Scrubbers in Corex
     - A Process for Inclusion Floatation in Tundish
     - A Grade Separator for Continuous Casting of Steels
     - International Patent: "A Dust Recycling System for Enhanced Availability of Corex"

     ii) Copyrights:
     - Model for Prediction of Super Heat
     - Calculation of Mould Level Fluctuation Index 'F' - Value
     - Continuous Determination of Clogging %
     - Optimization of Argon Flow in Submerged Entry Nozzle
     - Coke - Book

3. **Plan of Action for FY 2007-08**

   A major focus area for the coming year would be beneficiation of iron-ore. Improvement in quality, productivity, cost reduction, energy conservation, and waste utilization would be other major R&D activities in each of the functional areas of the plant.

4. **Expenditure on R&D during FY 2006-07**

Capital	:	Rs. 2.45 Crores
Recurring	:	Rs. 1.27 Crores
Total	:	Rs. 3.72 Crores

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. A) **Upstream Complex:**

- Introduction of a System for Control of Dust Emission from Doors of Non-Recovery Coke Oven.
- Developed "A Hot Coke Water Quenching System Adopted for Moisture Control in Quenched Coke"
- Introduction of Online Cleaning of Cooling and Top Gas Packing Scrubbers.
- A Dust Recycling System for Enhanced Availability of Corex.
- Installation of radar type level indicator in Bell Less Top (BLT) material bin has helped avoiding overfilling problem in BF-1.
- Design modification in cooling arrangement of tuyeres in BF-1 has increased average life of the tuyere from two month to more than one year.
- Installation of Auto Valve-less Gravity Filter (AVGF) in BF-1 has helped reducing water consumption by nearly 600-900 m3/day.
- Adoption of Bell less Rotary Charging Unit (BRCU) designed by Totem in BF-2.
- Application of slag detection system at caster has increased the sequence length and improved steel cleanliness.
- Development and implementation of an integrated quality assurance system has minimized the slab related complaints.
- Revamping of Hot Strip Mill, including enhanced power of the main drives to increase the output, hydraulic AGC in all the finishing stands to improve dimensional accuracy, installation of new roll cooling sytem, wiper system, and cooling on ROT for improved quality of the rolled product.

B) **Downstream Complex:**

- Up gradation of Passivation system in Galvanizing line According to European ROHS Norms, Cr+6 (Chrome hexavalent) material is to be supplied. To meet OEM requirement of anti-finger printing (AFP), thin organic coating is required. To meet the above requirements, provision has been made for Passivation in CSD 3.
- Installation of Semi Auto Cut to Length (CTL) Machines - 2 no. Machines have been installed & commissioned. As a result we are getting better quality, improved safety while operating & phasing out of manual CTLs.
- Commissioned 'Reverse Osmosis & Multiple evaporator'Plant for Zero effluent discharge.
- Data logger commissioned in CRM 4 for CR coil history and statistical analysis.
- HRM RF 80 Furnace: PLC up gradation

Up-gradation planned for FY 2007-08

- Modification of CSD 3 for Galvalume & Galvanizing with dual ceramic pots arrangement Galvalume is a different product having more longevity & would enable us to cater to niche markets.
- CGL-I & CGL-II line modification is planned to convert to produce Galvalume product, which will fetch better realization.
- HRM Plant modification is planned to enhance Capacity from 0.280 MTPA to 0.325 MTPA.
- To set up 30 MW Coal based power plant to reduce cost of production as well as dependence on Maharashtra State Electricity Distribution Co. Ltd. for power supply.
- Railway Siding planned at vasind to reduce Logistics Expenditure.
- To set up another Colour Coating Line with capacity of 0.1 MTPA in view of increased demand for PPGI & also to enhance our market share in value added products segment.
- Installing new Profiling Machine to eliminate conventional drum based corrugation machines for better quality / output & improvement in safety during operations.
- To set up rainwater harvesting project for water conservation.

2. **Imported technologies:**

Major technologies commissioned at Up-stream during the year included:

- Sinter Plant 1, supplied by Outokumpu GMBH, Germany
- Blast Furnace 2, supplied by Danieli Corus, The Netherlands
- Caster 3, supplied by VAI, Austria

ANNEXURE 'B' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2007.

Sr. No.	Name	Designation	Remuneration (Rupees)	Qualification	Experience (No. of Years)	Age (Years)	Date of commencement of Employment	Last Employment held
(A) Employed throughout the year and were in receipt of remuneration of not less than Rs.24,00,000 per annum								
1	Acharya Jayant	Senior V. P. - Marketing	4,789,427	M. Sc.(Hon.) Phy., B.E.(Hon.) Chem., MBA	24	44	01/07/1999	Essar Steel Ltd. (Jt. G. M.)
2	Aggrawal Ashok Kumar	V. P. - Production	2,741,748	B. Sc. (Engg.)	21	48	02/06/1998	Essar Steel Ltd. (Jt. G. M.)
3	Garg V. P.	V. P. - Commercial	2,400,739	B.Com, C.A.	21	46	01/12/1998	Modern Group (Finance Manager)
4	Gokhale Sandeep	Dir. - Business Strategy	6,792,775	B.E., Master In Financial Mgt.	22	44	01/04/2006	Sterlite Industries Ltd. (Dir - Business Dev.)
5	Jain N. K.	Advisor	9,806,078	B.Com, F.C.A, F.C.S.	36	60	01/09/1992	Permanent Magnets Ltd. (GM Finance)
6	Jindal Sajjan	V. C. & Managing Dir.	132,479,274	B.E. (Mech.)	25	47	04/07/1992	Jindal Strips Ltd. (Jt. M. D.)
7	Kedia P. K.	Group Senior V. P. - Commercial	3,902,506	B.Com, FICWA, DBM, CS (Inter)	31	47	26/10/2005	Essar Steel Ltd. (V. P. Commercial)
8	Lal J. P. N.	Executive Dir. - Operations	5,459,688	B. Sc. (Metallurgy), Amiim	29	59	14/06/2002	Ispat International (Dir. - Technical)
9	Nowal V. K.	Executive Dir. - Commercial	5,660,472	MBA, DBM, Ph.D	26	51	14/02/1984	K. M. Sugar Mills Ltd. (Factory Manager)
10	Rajendran P. M.	V. P. - Production	2,494,084	M.Sc. (Engg.)	30	53	01/12/1994	Rourkela Steel Plant (Sr. Manager)
11	Rathore G. S.	V. P. - Production	2,966,927	B.E. (Met)	21	42	03/01/1996	National Steel Ind. Ltd. (Sr. Manager)
12	Ravichandar D.	Senior V. P. - Projects	3,321,782	B.E. (Mech.), B.E. (Elect.), Dip.(Fin.)	29	50	18/11/1994	Bhushan Steel & Strips Ltd. (G. M.)
13	Saralaya L. D.	Senior V. P. - Production	2,743,183	M.E. (Metallurgy)	32	57	07/09/2001	Ashapura Group of Ind. (Resident Director)
14	Sarover K.	Senior V. P. - Production	2,811,667	B.E. (Mech.)	28	53	02/07/2005	Jindal Stainless Ltd. (V. P.)
15	Sasindran P.	Senior V. P. - Production	4,110,216	B.E. (Elect.)	39	57	09/05/1998	Essar Steel Ltd. (G. M.)
16	Seshagiri Rao M.V.S	Dir - Finance	7,938,474	B.Com., CAIIB, AICWA, LCS, DBF	28	49	01/09/1997	Nicholas Piramal (India) Ltd. (Sr. V.P.)
17	Sharma R. C.	V. P. - Operations	3,092,264	B.Sc.	29	54	01/02/1995	Bhushan Steel Ltd. (AGM)
18	Singh B. N.	Joint Managing Dir. & CEO	10,300,691	M.E. (Metallurgy), Ph.D (Metallurgy)	37	58	13/10/2003	Ispat International (M. D.)
19	Venkateshan M. A.	V. P. - Finance & Accounts	2,638,893	CA, LL.B, CS, ICWA	25	50	03/01/2000	Praxair Ind. (P) Ltd. (Account Controller/Co.Secy.)
(B) Employed for the part of the year and were in receipt of remuneration aggregating to not less than Rs.2,00,000 per month								
1	Bhatt Dileep	Senior V. P.-International Mkt	1,830,075	B.Com., DMS	28	48	29/04/1995	Tata Exports Ltd. (Marketing Executive)
2	Kapadia Mehernosh	Chief G. M. & Company Secretary	1,245,358	LL.B, M.Com, ACS	28	49	09/05/2005	Kuoni Travel (Mgt & Legal Consultant)
3	Mubayi Arun	President - Corporate Relations	1,725,690	B.A. (Hons.)	35	58	11/12/2006	GMR-Delhi International Airport Pvt. Ltd.
4	Rajagopal Madhukar	V. P. - IT	3,110,377	B.E. (Elect.), Master of Mgt.	22	45	03/04/2006	Oracle Corp. (Director)
5	Sahni Harmohan	V. P. - Finance	1,302,329	B.Com., CA	15	39	01/12/2005	Mahindra Gesco Dev. Ltd. (Ch. Fin. Officer)
6	Singh Anirudh	Senior V. P. - Corporate HR	2,471,716	B.Sc., MBA	29	53	01/08/2006	Reliance Infocomm Ltd. (Head Hr)
7	Singh R. P.	CEO - Jharkhand Project	3,215,207	B.Sc. (Engg.) (Metallurgy)	38	60	21/07/2006	Bhilai Steel Plant (Managing Director)
8	Swain R. C.	V. P. - Project	2,804,806	B.Sc. (Engg.), MBA	23	48	15/07/2006	Vedanta Al Ltd. (Assistant VP)
9	Tandon J. K.	Dir - Projects	1,428,549	B.Tech. (Hons.) (Metallurgy)	45	65	06/02/2007	Essar Steel Ltd. (Dir. New Business Dev.)

Notes:

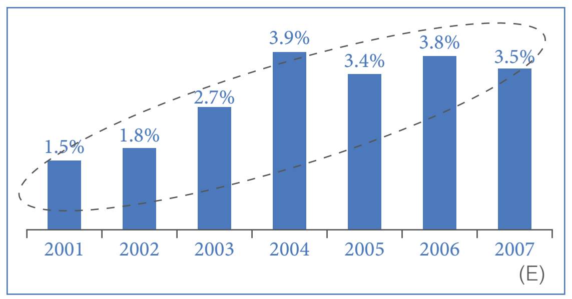
1. Remuneration shown above includes salary, bonus, house rent allowance or perquisite for accommodation, leave travel allowance, medical reimbursement, commission, perquisite for use of furniture and company's contribution to provident fund but does not include leave encashment and company's contribution to gratuity fund. The monetary value of perquisites is calculated in accordance with the provisions of the Income-tax Act, 1961 and Rules made thereunder.
2. All the employees have adequate experience to discharge the responsibility assigned to them.
3. The nature of employment in all cases is contractual.
4. Mr. Sajjan Jindal is a relative of Mrs. Savitri Devi Jindal, Chairperson of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

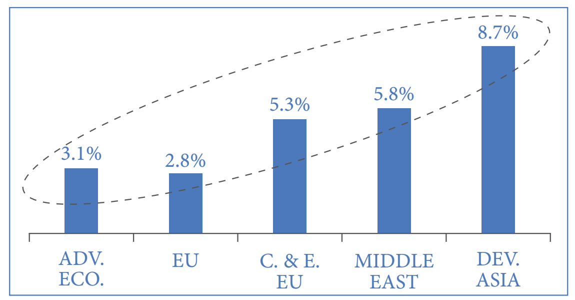
The global economy accelerated at 3.8% in 2006, driven by a rising dominance of resources in emerging economies, which in turn drew large investments in the construction and capital goods businesses. As it turned out, the commodities and energy sectors emerged as the principal catalysts of these resource-rich economies. Going ahead, the global economy is poised for a respectable growth of 3.5% in 2007, 30 basis points lower than in the previous year, but indicative of robust global balancing on a higher base.

World GDP Growth



Source: IMF

GDP Growth Distribution (2006)



Source: IMF

The graph indicates an interesting trend: that emerging economies centred in Asia, the Middle East, Central and Eastern Europe as well as CIS countries are emerging as the growth-drivers of the global economy.

The International Monetary Fund indicates that the global economy will sustain its 3.5% growth momentum in 2007 empowered by a favourable outlook from the emerging economies.

The bottomline of this attractive global growth in 2006 was a broad-based demand upturn for steel. The sector grew 8.5% to 1,113.2 mn tonnes, coupled with an 8.9% rise in crude steel production to 1,243.8 mn tonnes. The strong environment for the steel industry for 2006 can be related to the following factors:

- Consolidation through transnational mergers, acquisitions and strategic tie-ups in 2006 and 2007, strengthening the negotiating position of manufacturers.
- Hardening cost of metallics, fuel, power, ferro-alloys, base-metals and ocean freight.
- Growing fixed asset investments in emerging and developing economies, strengthening steel demand.

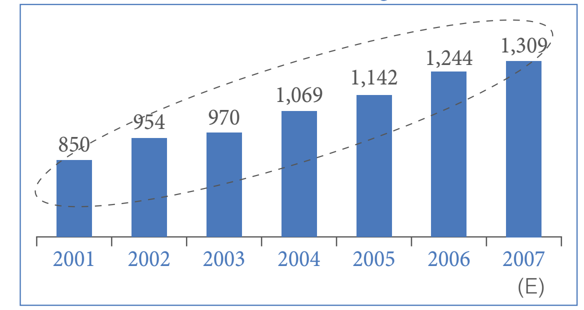
Country/Regions	(%) Investment to GDP
World	22.7
Adv. Economies	21.2
EU	20.6
Central & Eastern Europe	24.9
Developing Asia	36.3

(Source: IMF)

*Depreciating US dollar keeps the international steel prices higher in dollar terms.

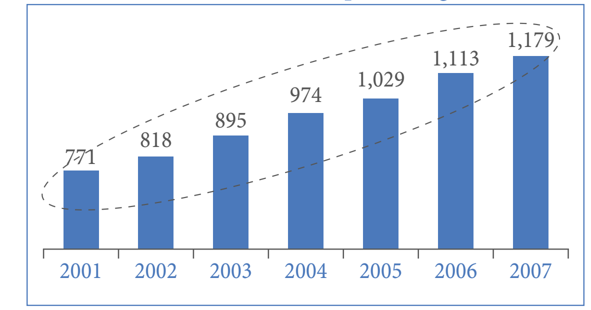
Global steel: supply-demand analysis

World Crude Steel Production (Figures in MT)



(Ref.: IISI / WSD)

World Finished Steel Consumption (Figures in MT)



(Ref.: IISI)

Crude steel production

The data inspires the following conclusions:

- Between 2001 and 2006, world crude steel production grew at 7.9% CAGR with Asian growth at 13.6% CAGR. The latter was driven by China's production growth of 22.9%. Interestingly, the world's growth (excluding China) was a mere 3.3%.
- According to World Steel Dynamics, global crude steel production is estimated to grow at 5.3% year-on-year in 2007 as against 8.9% in the previous year.
- The Asian share in the overall global crude steel production grew from 42% in 2001 to 54% in 2006.
- Chinese crude steel production increased near three-fold over the last six years with its global share increasing from 18% in 2001 to 34% in 2006.

Finished steel consumption

The data in this table prompts the following conclusions:

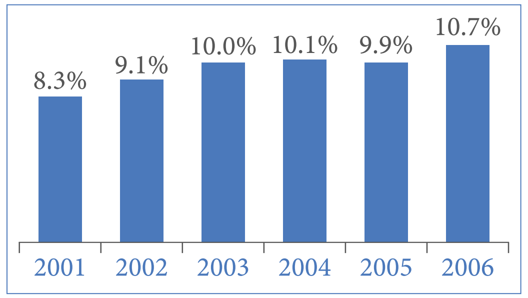
- Between 2001 and 2006, world finished steel consumption grew at 7.6% CAGR with Asia growing at 11.4% CAGR. Both these developments were driven by a 18.3% rise in Chinese steel consumption and a 4.2% rise in global consumption (excluding China).
- During 2007, world finished steel consumption is estimated to grow at 5.9% year-on-year as against 8.5% year-on-year in 2006 (source: International Iron & Steel Institute).
- Asia's share in the overall global finished steel consumption grew from 45% in 2001 to 53.4% in 2006. Asia's steel consumption is slated to grow at 9.3% during 2007, primarily driven by China's steel consumption growth of 13% and India's steel consumption growth of 10.2%.
- China's crude steel production increased approximately 2.5 times over the last six years, its global share rising from 20% in 2001 to 32% in 2006.

The China factor

Chinese economy

The Chinese economy accelerated at 10.7% in 2006, fuelled by a 24.5% growth in fixed asset investments touching US $1,205 bn (approximately 45% of its GDP). This was coupled with a 27.2% growth in exports touching US $969 bn and a trade surplus growth of 74% to US $177.5 bn.

China's GDP growth



(Source: NBS)

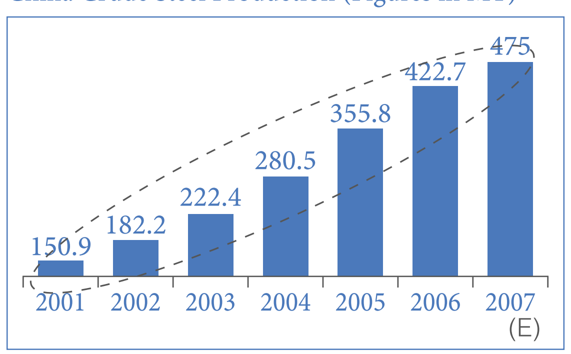
Going ahead, China's economic growth is expected to continue, although marginally slower at 8-9%, since the Chinese government is concerned of the dangers of an overheated economy and is implementing corrective measures to cool it. The latter comprises:

- Squeeze on loans to sensitive, high-growth, over-capacity and resource/energy-intensive sectors like steel, aluminium, cement and real estate, among others.
- Hike in lending (interest) rates.
- Discourage the export of low value-added merchandise goods and encourage the export of service-related products.
- Discourage FDI in low value-added and over-heated sectors.

Chinese steel industry

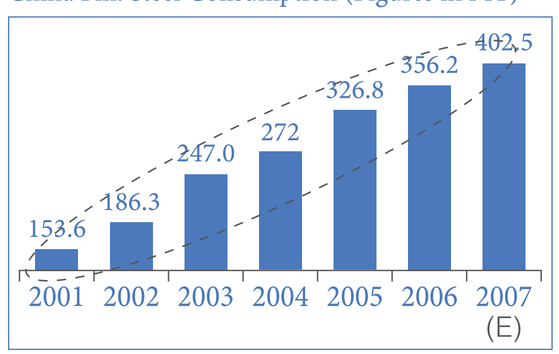
China claims more than a 30% share of the world's steel production and consumption. A rich mineral resource-base, cheap labour and capex economy have translated into a large steel production base, attracting mega investments. China's only major concern is its growing appetite for imported iron ore.

China Crude Steel Production (Figures in MT)



(Ref.: IISI / CISA)

China Fin. Steel Consumption (Figures in MT)

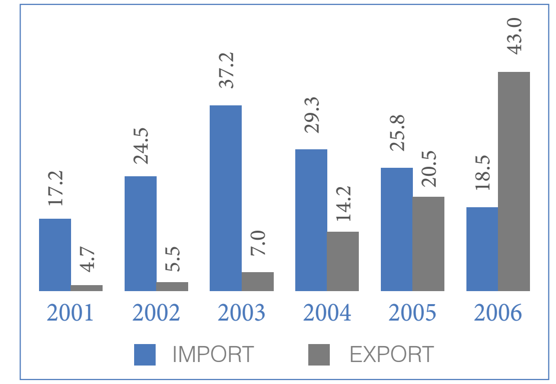


(Ref.: IISI)

China's steel demand is expected to grow by 13% to 402.5 mn tonnes in 2007 (source IISI), in line with the Chinese Iron and Steel Association estimates that the country's crude steel production is growing at 12.4% to 475 mn tonnes.

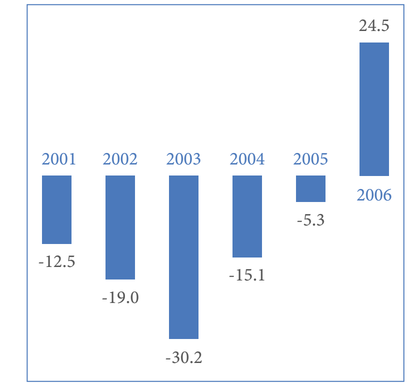
China's exports grew 110% to 43 mn tonnes and imports declined 28% to 18.5 mn tonnes, leaving a net exported surplus of 24.5 mn tonnes of steel products.

China: Steel Trade



(Source: Mysteel)

China: Net Steel Exp. (Figures in MT)



(Source: Mysteel)

The growing exports from China may not translate yet into a global threat for an important reason a clear mandate by Chinese policy makers that the country will not expand its trade surplus on the back of low value-added, resource-intensive, energy-intensive and moderately priced steel product exports; on the contrary, the country would encourage the export of value-added products manufactured out of steel.

Extending this agenda, China is discouraging the export of steel products through the following measures:

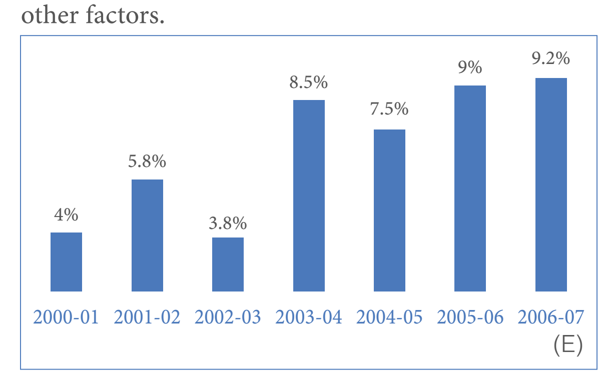
- Reduction/removal of export incentives for steel products.
- Imposition of export tax on metallics and semis.
- Discouraging tolling activities through the imposition of taxes/VAT on imports and exports.
- Imposition of quantity restrictions on certain sensitive products.
- Putting a minimum floor-price for the export of select ferroalloys.
- Gradual appreciation of the Chinese currency (RMB) against the US dollar.

CISA estimates that Chinese net steel exports will decline to approximately 10 mn tonnes in 2007 as against 24.5 mn tonnes in 2006, which could relieve the global steel industry.

China's domestic demand for steel is expected to grow relatively slower but on a larger absolute base. In the long run, China may pose a threat for developed economies especially in the area of value-added/ manufactured product exports.

INDIAN ECONOMY

India has the second fastest growing GDP in the world driven by rising industrial production, manufacturing growth, savings, investments, exports, forex reserves and credit outflows among other factors.



(Source: CSO)

During the 11th Five-Year Plan, the Indian economy is expected to report a 9% CAGR on the back of accelerating industrial growth and manufacturing expansion. Industrial growth for the Plan period is set at 10.5% CAGR and manufacturing growth at 12-14% CAGR. The only concern in India is inflation crossing 6%, which the government and the Reserve Bank of India are checking through fiscal and monetary measures.

Indian steel: supply - demand

India's steel industry was controlled until 1991, following which fast-track reformation compelled it to compete globally. The fact that the industry has emerged as globally competitive despite decades of control represents an exemplary case study.

Today, India is considered a preferred global destination for various international steel players for the following reasons: growing economy, rich mineral resources, young demographics and cheap labour. Going ahead, India's domestic demand for steel is at an inflection point, driven by strong internal developments.

- White goods and consumer appliances sectors are clocking a double digit growth due to an improvement in the standard of living, which augurs well for steel demand.
- Infrastructure development: The government is offering a level-playing field to Indian industry through the upgradation, augmentation and development of world class infrastructure. Besides, India holds immense opportunities in urban, semi-urban and rural development through the installation of pipelines for water transportation as well as the oil and gas sectors. These will result in enhanced steel demand.
- Opportunities for steel demand in rural India: India's rural sector commands a population of approximately 70% but consumes hardly 2 kg per capita of steel, an immense opportunity. Besides, in addition to expansion within the country, the Indian steel industry is actively pursuing transnational mergers, acquisitions and strategic alliances.

Steel segments in India

All steel products are made from semi-finished steel (slabs, billets and blooms). Though there are over 3,500 varieties of regular and special steel, steel products can be broadly classified into two basic types according to their shape:

Flat products: These products are derived from slabs and mainly comprise hot rolled plates, coils and sheets.

Hot rolled plates are used in shipbuilding, large diameter pipes, boilers, industrial equipment, infrastructure and fabrication among others.

Hot rolled coil/sheet, a widely used variety of steel, is used for making value-added flat products like cold rolled and galvanised steel. Hot rolled coil/sheet is primarily used in various industrial and manufacturing applications including the construction of tanks, railway cars, bicycle frames, ships, engineering and military equipment as well as automobile and truck wheels, frames and body parts.

Cold rolled steel is used primarily for precision tubes, containers, bicycles, furniture and for use by the automobile industry to produce car body panels.

Galvanised steel is used for making roofs in housing and construction sectors and consumer durables. The Company manufactures flat products.

Long products: These products derive their name from their shape. Manufactured from billets and blooms, they include rods, bars, pipes, ropes and wires, which are used largely by the housing/construction sector. There are also other products like rail tracks in the category. Bars and rods, including wire rods, constitute around 40% of the long product segment. Bars and rods are available in various sizes ranging from 6 mm to 140 mm in diameter, the major segment being 6 mm to 25 mm. Rods of smaller diameters (5.5-14 mm) are generally produced in a coil form termed as wire rods.

PERFORMANCE ANALYSIS

Operational performance

JSW Steel's basic steel manufacturing process is located in Toranagallu (upstream) and value-added products at Vasind and Tarapur (downstream).

	2005-06 Production (MTPA)	2006-07 Production (MTPA)	Growth over the previous year (%)
Upstream			
Pellet	3.802	3.799	-
Slabs	2.250	2.652	18
HR Coils	2.148	2.155	-
Downstream			
HR Plates	0.086	0.182	111
CR Coils	0.844	0.770	(9)
Galvanised Steel	0.782	0.714	(9)
Colour coated Galvanised Steel	0.012	0.052	325

Upstream

The Company has shown significant volume growth in crude steel production due to the commissioning of a 1.3 MTPA capacity expansion project during 2006-07. However, due to the shut down of the pellet plant and the hot strip mill for the modernisation and expansion of capacities to 5 MTPA and 2.5 MTPA respectively during the year, production remained flat. The production would have been higher had it not been for the shutdown in one of the Hot metal units in February 2007 due to an accidental fire. The furnace recommenced operations on 12th April, 2007. As a preventive measure, it is now proposed to shutdown for 35 days in June/July 2007 for its other similar Hot metal unit to incorporate preventive features.

Highlights, 2006-07

- 58 MW power generated from the waste heat of coke ovens
- Coke ovens certified to OHSAS 18001:1999, ISO 9001:2000, and ISO 14001:2004.
- Expanded the pellet making capacity from 4.2 MTPA to 5 MTPA through innovative de-bottlenecking and the addition of balancing equipment
- Commissioned the second blast furnace in August 2006, increasing capacity by 1.3 MTPA
- Commissioned the 2.3 MTPA sinter plant based on the Outokumpo technology; achieved a productivity of 1.4 tonnes/m2/hour, higher than the industry benchmark of 1.3 tonnes/m2/ hour
- Commissioned the latest high speed caster no. 3 in November 2006
- Caster yields improved from 98.54% in 2005-06 to 98.63% in 2006-07
- Modernised the hot strip mill, which increased the capacity from 2.0 MTPA to 2.5 MTPA
- Appreciable improvement in efficiencies in the hot strip mill due to lower power consumption from 104 Kwh per tonne in 2005-06 to 98 Kwh per tonne in 2006-07.

While raising the bar, the Company has improved productivity and optimised the usage of resources. While the improvements have only partly yielded results in 2006-07, their benefits will be fully experienced only in 2007-08.

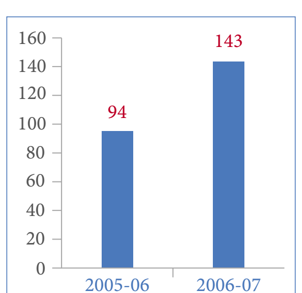
Improvements in 2006-07

- The heating cycle time in coke ovens declined from five days to three days by using a jumper. This new technique enabled the Company to minimise gaseous emissions at the time of coal cake charging in the ovens.
- Unique online wagon pellet loading system facilitating a reduction in loading time from three hours to one hour.
- Increased use of Corex sludge and BOF slurry in pellet manufacture, reducing the consumption of iron ore and coal breeze by 17 and 12.4 kg/t of pellet respectively.
- Successful initiation of the use of sinter fines (earlier wasted) in the Corex unit, resulting in significant savings.
- Optimisation of the charging program and better burden distribution control in the blast furnace helped achieve a higher productivity of 2.2 tonnes/m3/day and a fuel rate of 560 kg/thm; additionally, better casting practice in the blast furnace was achieved by reducing the tap opening time, improving productivity.
- Installation of auto valve-less gravity filter in the first blast furnace helped reduce water consumption by about 600900 m3/day.
- Improvement in tundish life through the introduction of an on line tube changer device and dry vibrating mass in tundish. As a result, tundish life doubled from 6 heats/ tundish to 12 heats/tundish. Also, the sequence length increased from 7-8 to around 12-14.
- Maintenance of the induced draft fan of converter improved significantly through an online cleaning facility; life improved from 300 heats to an average 5,300 heats (only one in India to achieve this benchmark).
- Modification of the edge preparation during grinding at the hot strip mill, improving campaign life from about 80,000 tonnes to about 1,20,000 tonnes.

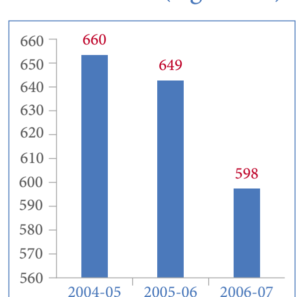
Our cutting-edge technology

- Non-recovery type coke ovens; gas generated is reused inside the oven, eliminating the need for external fuel for heating the coke oven batteries. Besides, waste heat recovered is used to generate power.
- Bed height operation >560 mm in the indurating furnace compared to 450-480 mm in other pellet plants, translating into higher productivity.
- Automatic gauge control mechanism in the hot strip mill on all stands leading to consistent product quality.

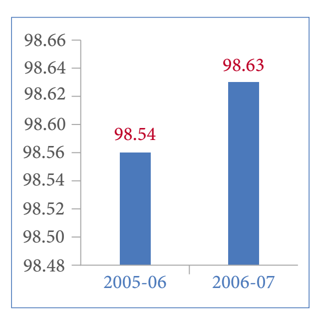
Captive Power Generation (MW)



Fuel Consumption in Blast Furnace (Kg/tonne)



Caster Yield (%)



Downstream

The Downstream section comprises two units at Tarapur and Vasind, primarily to add value to the Company's hot rolled coils. These units get about 1 MTPA of hot rolled coils for adding value and catering to various high-growth sectors namely, automobiles, white goods and construction among others.

Highlights, 2006-07

- De-bottlenecking of the pre-rolling capacity resulting in a larger feed from 59 coils per day to 72 coils per day.
- Improved yield in the galvanising unit from 94.7% to 96.5%.
- Introduction of around eight new product varieties chrome and hexachrome free - used by the white goods sector.
- Development of more than 250 colour shades in the colour coating line. Export of consignments to the US and EU within only six months of the facility's commissioning.

Despite being constrained by capacity, these units have adopted the policy of 'constant change' for enhanced productivity and greater value addition.

Improvements in 2006-07

- At the cold rolling mill, the Company introduced the SCADA system and a problem analyzer, which captures all mill incidents for onward prevention; this improved mill availability.
- Introduced the Data Logger to monitor minor quality parameters based on feedback, which resulted in quality improvement.
- Installation of an online coating gauge at the galvanising unit to control zinc consumption.

Status of projects and implementation

Cold rolling mill complex (Capacity 1 MTPA)

The installation of major equipment is in progress and the commissioning of various facilities is progressing briskly. The project is expected to be completed by the second quarter of 2007-08.

The hot strip mill modernisation project (capacity increase from 2.5 MTPA to 3.2 MTPA)

Technical discussions have been completed and the ordering of equipment is in progress. The project is expected to be on stream by end of 2007-08.

The new hot strip mill project

The implementation has already been taken up and site works are in progress. Major packages have been finalised and funds have been deployed for the same. The expected commissioning date for the project is September 2009.

Blast furnace - 1 modernisation project (capacity increase from 0.9 MTPA to 1.2 MTPA)

Discussions are in progress with VAI Siemens for finalising the modernisation related jobs to achieve planned capacity enhancement is 2008-09.

Expansion project for crude steel (capacity increase to 6.8 MTPA from 3.8 MTPA)

The various units under 2.8 MTPA expansion projects, such as blast furnace, sinter plant, coke oven plant, steel melt shop (two converters, one slab caster and one billet caster) and long product mills (wire rod mill and rebar mill) are progressing as per schedule. With respect to coke ovens, refractory erection has already started. The sinter plant and blast furnace erection is at an advanced stage. There has been significant progress in the implementation of this project, which is expected to be on stream by March, 2009 as planned. On completion of the 2.8 MTPA expansion, the Company will have an integrated 6.8 MTPA steel plant with state-of-the-art facilities with value added products contributing significantly to the bottom line.

Marketing

Highlights, 2006-07

- Growth in saleable steel - 26%.
- Increased efforts in the marketing of galvanised products under the **'Jindal Vishwas'** brands.
- Marketed colour-coated sheets in the international and Indian markets.

At JSW Steel, robust demand translated into the following product mix strategy:

- Nearly 35% of the steel marketed was value-added.
- The mix was spread across a number of products, varieties and grades.
- The mix was influenced by the evolving demand in India and abroad.

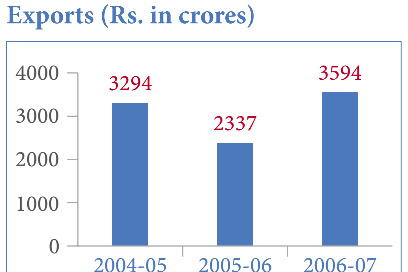
The Company achieved a growth of 17% and 103% in volume of sales (by volume) of HR coils and plates respectively. In view of a growth of 18% in crude steel production during the year, higher usage of pellets for captive use reduced merchant sale of pellets. Similarly, the volume of sales in the GP/GC product segment declined as the Company's focus shifted to thinner gauge material to improve profitability.

The Company also marketed surplus slabs of 3,54,583 tonnes during the year under review. The volume of colour coated products jumped to 48,032 tonnes as the product started gaining market share and acceptability. The notable feature was a growth in the volume of saleable steel by 26% as against an increase of only 18% in the production, since the Company judiciously procured hot rolled coils and slabs at competitive rates in the market for converting into hot rolled plates and downstream products strengthening profitability of the Company.

The Company transformed one-off transactions into loyal customer relationships through the following service-centric initiatives:

* *Managerial efficiency:* More than 84% of the accepted orders in domestic market were dispatched within seven days (from the date of order acceptance) as a result of seamless working between the Company's planning, production and logistics departments.
* *Transparency:* An automated response system enabled the IT department to intimate customers about the acceptance of their orders and the corresponding delivery schedule leading to effective inventory management at the customer's end.
* *Closer interaction:* As a part of the 'market listening' process, the Company invited Indian and international clients and dealers to visit the plant to gain a better insight into their diverse requirements.
* Management interaction: Periodic customer visits by the Joint Managing Director, Director (Operations), Marketing Head and Corporate Executives.
* Customer assistance: The appointment of dedicated application engineers at key locations helped service client requirements and redress queries with speed; third party inspection of material was also provided.
* *Value-enhancing tie-up:* A collaboration was forged with Japanese Ferro Engineering to incorporate steel making and rolling best practices.
* *Dedicated logistics:* Dedicated rail delivery helped service large tonnage customers.

Exports (Rs. in crores)



Research and development

Highlights, 2006-07

- More than 20 process improvements were successfully implemented at various departments at the Vijayanagar Works.
- Of the process improvements, four compared well with international operational benchmarks.
- Infrastructural support for R&D department, including strengthening of R&D set-up and research facilities.

Overview

The R&D team at JSW Steel comprises 13 technical executives and six support staff. The R&D facilities are being enhanced. With the scope of product innovation being limited in the steel industry, the R&D team focused on process improvements, which will enhance capacity, improve productivity, reduce conversion cost, reduce energy consumption, improve quality and increase waste utilisation.

Key technological innovations

International achievements

- Development of slag splashing technology, through optimisation of slag regime and blow patterns, to enhance the converter lining life to 13,771 heats, the highest achieved in India.
- Achieved gunniting of the Corex melter-gasifier including dome, a first in the global steel industry. Slippage of refractory bricks from the dome necessitates capital repair across several weeks. The new process enabled dome repair within only three days.
- A new process of charging sinter fines in the Corex unit was introduced for the first time which led to improvement in productivity. This innovative process enabled the consumption of process waste (sinter fines) and reduced the cost of operations (helped replace upto 10% iron bearing feed in the Corex), besides enhancing Corex productivity by 4%.
- The Company achieved an yield of 98.63% in the continuous casting machine, internationally comparable, through in-house developments like the introduction of fly tundish practice, 100% submerged opening of the shroud, slag detection system and auto mold-width changing.

Capacity enhancements

The pellet plant capacity was enhanced by 0.8 MTPA by intelligently enhancing the firing zone in the induration machine and adding auxiliary equipment to support this additional capacity.

Other process improvements

- Fuel consumption reduced by 15 kg/thm at BF-1 by enhancing the hot blast temperature from 900 to 1050°C.
- Availability of the Corex units was improved by 0.8% through modifications in the DRS line and a reduction in shaft jamming by 50%.
- Reduction in water consumption at BF-1 by 750m³/d through the installation of auto valve-less gravity filter.
- Introduction of roll lubrication in the vertical rolls of the roughing stand helped enhance campaign life by an estimated 33%.
- Modification in edge preparation during grinding helped improve campaign life from 80,000 tonnes to 1,20,000 tonnes.

Cost reduction initiatives

Successfully optimised the blend between non-coking and coking coal varieties for the coke oven, with a view to maximise the use of non-coking coal, making a significant impact on the conversion cost per tonne of steel.

Environment friendly initiatives

With the objective of minimising dust emission from non-recovery coke ovens, a novel jumper system was designed and fabricated in-house. This helped in reducing the emission period from the earlier six minutes to 30 seconds.

Intellectual capital

Various innovations resulted in a rapid build-up of intellectual capital:

- Seven applications have been filed for national patent.
- One application is under process for international patent.
- Four of the software developed in-house and one book was registered for Copyrights.
- Fifty one technical papers were generated for publications and presentations, internationally and in India.

Logistics management

Overview

In a business where integrated operations are critical, even a minor failure in the logistics supply chain could lead to a significant financial impact due to a disruption in production. In view of this the Company prioritised the following:

- Focused a compartmentalisation of logistics into three separate functions namely,
  - Inward (for raw material handling)
  - Internal (movement of goods-in-process, products and by-products internally) and
  - External (despatch of finished goods and by-products)
- Investment in equipment to streamline material inflow.
- Investment in a captive vehicular fleet for smooth material flow.
- Collaborative relationships with transporters.

For seamless logistics the Company undertook the following initiatives:

- Despatch of finished products: Achieved through an effective interaction among operations, marketing and logistics teams.
- Investment for improved logistics in handling equipment.

Information technology

IT solution

The Company implemented the Oracle E-Business Suite 11i.10 to enhance control and productivity.

IBM Business Consulting Services (BCS) implemented the solution. Additional modules - Oracle Purchasing, Oracle Inventory, Oracle Financials and Oracle Project Costing and ORACLE Process Manufacturing - were integrated and commissioned in May 2005.

JSW Steel implemented the Oracle E-Business Suite on Red Hat Linux across Intel platforms. The Linux platform offered the advantages of better security, reliability and cost effectiveness. Besides, the systems are running in a Real Applications Cluster (RAC) mode to provide high availability for the mission-critical applications. Going ahead, the combination of Linux, Intel servers and Oracle database and applications will lead to an integrated pan-organisation functionality.

Capability

- The Oracle E-Business Suite package will enable the Company to achieve integrated accounting, common business procurement practices, unified human resources management, effective project cost monitoring and manufacturing control across plant locations. The solution will also facilitate automated project management in the progressive expansion phases.

IT progression at JSW Steel

Consulting	Implementation and stabilisation	Client/server technology	Web technology
ERP Order	SPTS, MATMAN, Oracle Financials 10.7	Oracle Financials upgradation to Oracle 11i. Development of add-on modules	Implementation of E-Business Suite 11i - Oracle Financials - Oracle Order Management - Oracle Purchase Inventory - Oracle Project Costing - Oracle Process Manufacturing - Oracle Human Resources - Oracle Financials
1997	1998	2000-2002	2004 –2007 and beyond

Financial analysis

Where we improved…

- Revenue increased from Rs. 6,598.49 crores in 2005-06 to Rs. 8,699.59 crores in 2006-07 - an increase of 32%.
- Exports sales increased from Rs. 2,337.11 crores in 2005-06 to Rs. 3,593.64 crores in 2006-07 - an increase of 54%.
- EBIDTA increased from Rs. 2,133.46 crores in 2005-06 to Rs. 2,921.97 crores in 2006-07 - an increase of 37%.
- PAT increased from Rs. 856.53 crores in 2005-06 to Rs. 1,292 crores in 2006-07 - an increase of 51%.

Where we tightened…

- Improvement in interest cover inspite of a hardening interest rate scenario; interest cover improved from 5.86 in 2005-06 to 7.31 in 2006-07.
- Reduction in the debt-equity ratio from 0.96 in 2005-06 to 0.75 in 2006-07.

EBIDTA margin	Net profit margin	Return on capital employed	Earning per share (diluted)
34.00%	15.03%	23.77%	Rs. 78.88

Revenue

Revenue (net sales) increased by 38% in 2006-07 on account of enhanced production, increased realisation and stock liquidation.

Unit wise revenue analysis

The upstream unit continued to be the principal revenue provider, accounting for 58% of turnover; value-added income was largely generated by the downstream units of Tarapur and Vasind.

Geographical revenue analysis

While the domestic market accounts for the principal part of JSW Steel's income, exports are significant as well.

	2005-06	2006-07
Domestic turnover (%)	65.64	61.51
Export turnover (%)	34.36	38.49

Domestic: JSW Steel's domestic market is concentrated in west and south India, accounting for about 69% and 73.5% for hot rolled coils and coated products revenues (domestic) respectively. In 2006-07, the Company's domestic revenue increased 28.66% over the previous year due to increased clients and products.

Exports: JSW enjoys a presence in more than 80 countries, adding new client and markets. As a result, exports increased by 4.13% during the year under review.

Products	Domestic (tonnes)	Exports (tonnes)
Pellets	2,61,367	-
Slabs	8,511	3,46,072
HR coils/sheets	11,96,178	1,90,701
HR plates	1,08,191	43,027
CR products	71,479	3,385
Galvanized	1,60,921	4,96,845
Colour coated	12,093	35,939

Cost analysis

While absolute costs increased by Rs.1,312.59 crores over the previous year, the Company reigned in inflationary pressures through enhanced efficiency; cost of production as a proportion of net sales declined from 71.84% in 2005-06 to 67.23% in 2006-07.

Segmental break-up of key expenses (as a proportion of net sales %)

Segment	2005-06	2006-07
Raw material	48.08	46.89
Power & Fuel	6.76	4.57
Staff cost	2.04	2.04
Other Expenditure	14.96	13.72
Total	71.83	67.22

The Company could reduce cost as a percentage of net sales despite an increase in prices of iron ore, coal, ferro-alloys and zinc. Power and fuel as percentage of net sales declined significantly due to an increase in the captive power generation from 94 MW to 143 MW, replacing bought out power with captive power. While employee cost as a percentage of net sales remained the same as in the previous year, other expenses declined by 1.24% mainly due to a growth in volume.

Cost reduction

- Commissioned a 0.62 MTPA coke oven facility in March 2006, minimising the need to import expensive coke.
- Increased the use of coal/coke fines.
- Heat generated in the coke ovens was used in power generation.
- Use of semi-soft coal and other-coking coals in coke ovens.

Iron ore: Iron ore constitutes about 16% of the total raw material cost in steel making. The plant's strategic location in the ore rich Bellary-Hospet belt in Karnataka provides it with an easy access to ore. The Company entered into long-term MoUs with National Mineral Development Corporation and private mine owners supported by dedicated mines through joint venture company (Vijayanagar Minerals Pvt. Ltd.) for meeting the Company's growing ore requirements from within only 20 kms.

Zinc: Zinc, a key galvanizing input, became significantly dearer during the year under review and the Company initiated the following measures to rationalise cost:

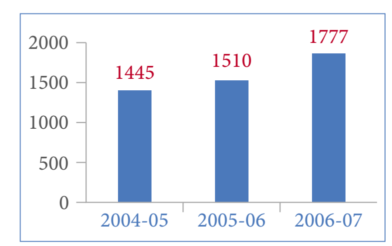
- Installation of an automatic gauge control system to avoid excess consumption.
- Installation of a sophisticated wiping system to remove excess zinc coating.

Power and fuel costs: Power constitutes about 7% of steel manufacturing cost. The Company has taken a number of initiatives to rationalise power cost at its upstream and downstream units. The Company commissioned a 130 MW captive power plant in September 2006 fed by waste heat from the coke oven plant.

Staff costs: JSW Steel is one of the lowest cost Indian steel integrated steel manufacturers. Employee cost as a proportion of net sales was 2.04% in 2006-07. The Company employed about 4747 people as on 31st March, 2007. The Company improved manpower productivity through the following initiatives: increased plant automation and increased training from 11.66 days per person in 2005-06 to 12.28 mandays per person in 2006-07.

Per person productivity grew significantly (upto the crude steel stage)

Labour Productivity (tonnes of crude steel / man. year)



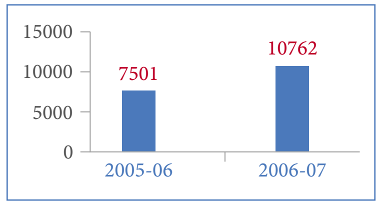
Margins

Operating EBIDTA Margin

For the year	2005-06	2006-07	Growth
EBIDTA	2,133.46	2,921.97	37%
Less :			
Sale of investments/assets	369.20	2.59	
Target plus scheme benefits	79.27		
Insurance claim		65.85	
Operating EBIDTA	1,684.99	2,853.53	69%
Operating EBIDTA (% of net sales)	27.10%	33.20%	

Increased volumes, value-addition mix, efficiencies and cost control strengthened operating margins from 27.10% in 200506 to 33.20% in 2006-07. Operating EBIDTA per tonne of saleable steel improved from Rs. 7,501 per tonne in 2005-06 to Rs.10,762 per tonne in 2006-07.

Oprating EBIDTA per tonne of salable steel (Rs. / Tonne)



The Company accounted the insurance claim of Rs. 56.25 crores towards loss of profits based on a letter received from the insurance company due to shut down of one of the hot metal furnace from 15th February, 2007 (furnace recommissioned after repairs on 12th April, 2007). This amount, along with the other insurance claim towards loss of profit of Rs. 9.60 crores already settled and received, were included in other income.

PAT Margin

For the year	2005-06	2006-07	Growth
PAT	856.53	1,292.00	50.8%
PAT (% of net Sales)	13.78%	15.03%	

Profit after tax during 2005-06 was Rs. 856.53 crores as against Rs. 1,292 crores in 2006-07 showing a growth of 50.8%. Profit after tax margin as a proportion of net sales also improved substantially.

Interest

Interest outflow increased only 9.78% from Rs. 363.96 crores in 2005-06 to Rs. 399.54 crores in 2006-07. At a time of rising interest rates, the Company managed to keep its average cost of debt at 8.14% -through the following initiatives:

- Repayment of debt of Rs. 1,018 crores.
- Swapping high cost debt with low cost alternatives.

Surplus management

The Company is at that stage in its history when every rupee invested in the business will yield far greater returns than if it were to be invested in any financial instruments. As a result, the Company re-invested all surpluses into its business to reduce debt and enhance the gross block. The Company maintained a strict control of its asset-liability position through ongoing cash flow management. The proceeds from all business profits were channelised into debt repayment and gross block enhancement.

(Rs. in crores)

	2004-05	2005-06	2006-07
Gross Block and Capital WIP	7,870	10,225	12,516
Long Term Debt	3,741	3,877	4,031

Taxation

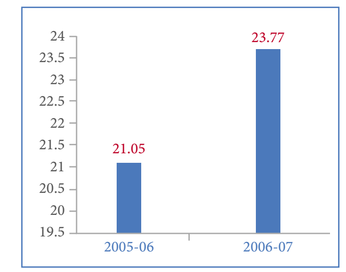
The effective tax rate declined to 32.55% in 2006-07 compared to 34.21% in 2005-06, mainly attributable to tax benefit claimed in respect of the captive power plant.

Capital employed

A capital-intensive business such as steel manufacture demands progressive investments towards capacity expansion. The capital employed in the Company's business increased from Rs. 8,890 crores in 2005-06 to Rs. 10,585 crores in 2006-07 to fund growing capacity and technology upgradation. The efficiency is reflected in the following parameters:

- Every rupee invested in the business generated a higher inflow (in terms of net sales), increasing from Rs. 0.95 in 2005-06 to Rs. 1.05 in 2006-07.
- A growth in the ROCE by 272 basis points over the previous year.

ROCE (%)



Own funds

The Company's net worth grew by 33.24% from Rs. 4,052.18 crores in 2005-06 to Rs. 5,399.18 crores in 2006-07, largely on account of an increase in equity and sizeable growth in reserves.

Equity Share Capital

The Company's share capital comprised 16,39,78,813 equity shares, each of Rs. 10 face value. The equity grew from Rs. 156.98 crores as on 31st March 2006 to Rs. 163.98 crores as on 31st March 2007 following an issue of 1.5 crore equity warrant on a preferential basis to the promoters, which entitled the holders to convert the warrants into equity out of which 0.7 crore warrants were converted in fiscal 2006-07. As a result, the fully diluted equity of the Company (following the conversion of all warrants) is estimated at Rs. 171.98 crores by March 2008.

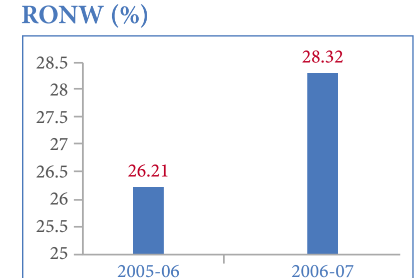
Reserves and surplus

Reserves and Surplus stood at Rs. 5,068.25 crores in 2006-07, They increased by Rs. 1,209.09 crores over the previous year through the following:

- Increase in retained earnings by Rs. 1,065.11 crores over the previous year.
- Addition to securities premium by Rs. 183.41 crores due to an issue of shares, reflecting the Company's brand strength.
- Reduction in the Debenture Redemption Reserve by Rs. 39.43 crores.

Return on Net Worth

RONW (%)

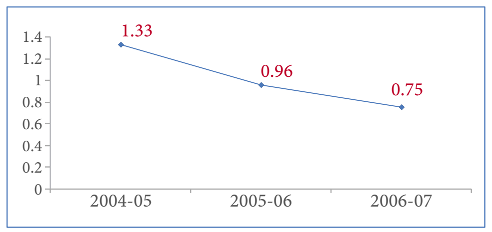


External Funds

The size and cost of debt often makes the difference between a Company's success and failure. In the short-term it impacts the profitability, while over the long-term it dictates the strength with which the Company is able to mobilise funds for prospective projects.

External long-term debt stood at Rs. 4,031 crores as on 31st March 2007 as against Rs. 3,877 crores as on 31st March 2006, an increase of 4% over the previous year. This was a result of an increase in term loans for funding capital expenditure in excess of repayments of old loans. Besides, there was decrease in working capital loans from Rs. 218.63 crores to Rs. 141.55 crores.

Debt Equity Ratio



Inventory

Inventory management is a critical driver of working capital efficiency for an important reason: input supply is often erratic and must be procured from different sources. Besides, maintenance of an increasing gross block necessitates the storage of a large quantity of stores and spares.

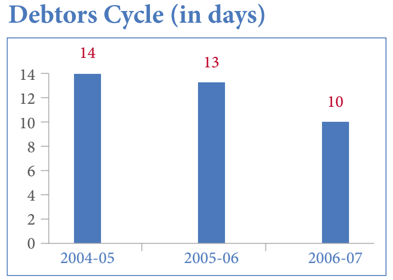
The Company's inventory increased to Rs. 1,011.35 crores in 2006-07 from Rs. 924.23 crores in 2005-06 consequent to business growth. Despite inventory having grown by about 9.4%, the inventory cycle declined significantly from 54 days (of net sales) in 2005-06 to 43 days in 2006-07.

Debtors

The Company's policies towards faster receivables are clearly indicated in its strong terms of trade:

- Domestic customers are generally dispatched finished products only on receiving funds.
- International customers were serviced through export agents against sight L/cs, minimising receivables risk.

Debtors Cycle (in days)



Even as debtors increased from Rs. 241.26 crores in 2005-06 to Rs. 245.16 crores in 2006-07, the debtors' cycle declined from 13 days (Gross sales) to 10 days in 2006-07.

Foreign Exchange Management

Exports - slabs, hot rolled coils, hot rolled plates, galvanized products and colour coated products accounted for 38% of the total revenue of the Company. The Company imported its entire coal and coke requirement, a natural hedge against currency fluctuation. Foreign exchange earnings during 2006-07 were Rs. 3,316.33 crores as against Rs. 2,049.48 crores during the previous year, while the foreign exchange outgo during the year was Rs. 3,391.98 crores as against Rs. 2,470.05 crores during the previous year.

CONSOLIDATION OF ACCOUNTS

The Consolidated financial statements include the financial statements of following Subsidiaries/ Associates / Joint Venture.

Wholly Owned Subsidiaries

JSW Steel (UK) Limited

JSW Natural Resources Limited

JSW Steel Service Centres Limited

Associates

JSW Energy (Vijayanagar) Limited

Jindal Praxair Oxygen Company Private Limited

Joint Venture

Vijayanagar Minerals Private Limited

The group's interests in its subsidiaries, associates and joint venture is reflected in the Consolidated Financial Statements ("CFS") in accordance with the relevant Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India.

Subsidiaries

Line-by-line basis in accordance with the principles laid down in Accounting Standard (AS) - 21 on "Consolidated Financial Statements". Inter-company transactions and balances and resulting unrealized profits are eliminated in full. Unrealized losses resulting from such transactions are also eliminated unless cost cannot be recovered.

The above resulted into a loss of Rs. 0.11 crores in the consolidated financial statements.

Associates

Investments in associates are accounted for under the Equity Method laid down in Accounting Standard (AS) - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements". Unrealized profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are not eliminated to the extent the cost of the transferred asset cannot be recovered.

The above treatment contributed to the consolidated profits to the extent of Rs. 12 crores and added Rs. 62.85 crores to the Consolidated Reserves and Surplus.

Joint Venture

Investments in joint venture is accounted for by using the proportionate consolidation method laid down in Accounting Standard (AS) - 27 on "Financial Reporting of Interests in Joint Ventures". Inter-company transactions and balances are eliminated to the extent of the Company's interest in the joint venture. Unrealized losses are not eliminated to the extent the cost of the transferred asset cannot be recovered.

For the purpose of consolidation, the financial statements of the subsidiary, joint venture and associate companies are drawn up to and as on March 31, 2007.

To summarise, Consolidated Profit stood at Rs. 1,303.89 crores with an increase of Rs. 11.89 crores over standalone Profit of Rs. 1,292.00 crores. Consolidated net worth stood at Rs. 5,463.81 crores with an increase of Rs. 64.63 crores over standalone net worth of Rs. 5,399.18 crores.

INTERNAL AUDIT, CONTROL AND THEIR ADEQUACY

Internal control systems are integral to your Company's corporate governance. The internal control systems and procedures were designed to assist in the identification and management of risks, the procedure-led verification of all compliance as well as an enhanced control consciousness. More specifically, the objectives of these internal control systems comprised:

- Compliance with laws, regulations, standards and internal procedures.
- Safeguarding the Company's assets/ resources and protecting them from any loss.
- Ensuring the integrity of the accounting system; the proper and authorised recording and reporting of all transactions.
- Ensuring a reliability of all financial and operational information.

The Company's internal control system provides for the adequate documentation of policies, guidelines, authorities and approval procedures covering the finance, accounting, purchasing, information systems and internal audit functions. It has a proper and adequate system of internal control commensurate with the size and nature of its business. The deployment of an ERP covers most of its operations supported by a defined on-line authorisation protocol.

The Company's management control function is guided by the following objectives:

- Efficient collection and analysis of results, compared with the objectives set out in the Budget.
- Forecasts for the short and medium-term due to changes necessitated in the business plan.
- Recommendations for corrective action coupled with a comprehensive follow through.

At the Company, this is reinforced with a comprehensive Management Information System, which comprises the availability of financial and operating information covering the annual budget, monthly and quarterly performance, monthly and quarterly forecasts as well as a monthly report on working capital requirements with recommended management actions concerning them.

The Company successfully integrated the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework with its audit process to enhance the quality of its financial reporting, compatible with business ethics, effective controls and governance.

The Company has a strong internal audit department, reporting only to the CEO and the Audit Committee. This department carries out an extensive audit, which is periodically reviewed by the management and the Audit Committee. The Company's regular Concurrent Audit / Pre - Audit is carried out by a leading firm of Chartered Accountants.

The Internal and Management auditors present a summary of the significant audit observations and related actions periodically to the Audit Committee comprising Independent / Nominee Directors.

OPPORTUNITIES AND OUTLOOK

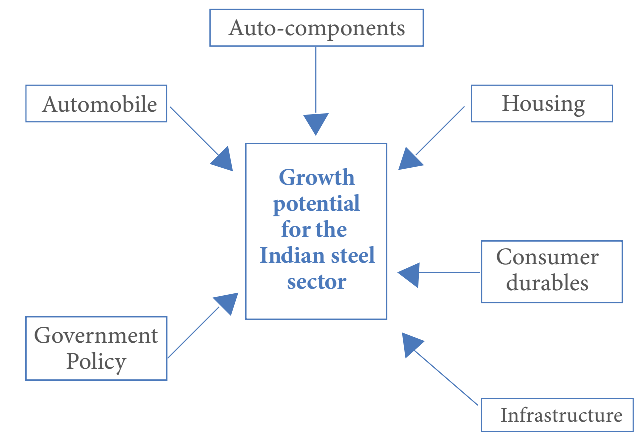
Global perspective

- A two-speed steel industry, driven by the Asian and Russian market, is on the rise.
- The pace of steel demand growth in China appears to be stabilising at a level slightly below the percentages recently reported. Though China will be the principal driver of global growth, the growth rate of the Chinese steel industry will decelerate from 13% in 2006 to 12.1% in 2007.
- The International Iron and Steel Institute (IISI) forecasts that the total use of finished steel products continues to show strong growth across the world. Total world steel demand is predicted to grow by 5.8% to 1180 million metric tonnes (mmt) in 2007.
- In the rest of the world, except India and China, the growth rate for the steel industry is expected to be 2.7% in 2007.
- In 2007, a steel price correction is forecast in the European Union and NAFTA countries.

Indian perspective

The Indian crude steel demand is expected to reach 183 MTPA by 2020, assuming annual growth of 10% (source: Ministry of Steel). This optimism is based on the following realities:

Growth drivers of the Indian steel industry



Automobiles

The Indian automobile industry has reported phenomenal growth, driven by a growing economy, increasing industrial requirement and growing individual needs. Taking the cue, most automobile majors are increasing their capacities significantly.

- Two-wheelers: Hero Honda is planning to invest Rs. 80 crores over the next three years to increase its production capacity by 1.5 million units per annum. Bajaj Auto plans to make an investment of Rs. 150 crores over three years, targeting a production of 2.85 million units per annum.
- Commercial vehicles: The CV sector is expected to almost double output by 2008, considering expansion plans announced by CV makers. The industry, which produced around 3.5 lac CVs in 2005-06, is expected to roll out an additional 2.35 lac CVs by 2008 entailing an estimated investment of Rs. 350 crores.
- Cars: According to a four-year plan, automobile companies in India will invest Rs. 1,200 crores and roll out more than double the number of cars - from the present 1.5 million vehicles (Source : The Economic Times) - they make today.

Auto-components

An ACMA-McKinsey study indicates a growing outsourcing opportunity for the Indian auto-components sector. Driven by strong technological capability, Indian auto-component companies could gain a 10-12% share of the addressable skill-intensive parts market (machined gears and machined exhaust manifolds) and 5-7% share of the potential labour-intensive parts market where it competes equally with other low-cost countries. India is likely to attain a 3-4% share of the US $700 billion potential market by 2015, translating into a US$ 20 - 25 billion opportunity by 2015, a 30% CAGR over the next 10 years from US$ 1.4 billion in 2005 (McKinsey estimates).

Infrastructure

The offtake of steel is linked to the growth of infrastructure in India. Since the Indian economy is projected to grow at a minimum 7% annually in real terms and at least by 12% annually in nominal terms until 2012, its infrastructure is expected to keep pace. Therefore, it would be safe to predict that growth in India's gross capital formation will extend to a growth in its infrastructure sector.

This growth in India is not going to be limited to select sectors but a diverse range; besides, India's infrastructure growth is not just going to be a national story but among the biggest such global opportunities - estimated at INR 14 trillion.

Expenditure estimates of different sectors across India

Infrastructure Facilities	Investment (US$-bn)
Road	48
Railways	80
Port	13
Airport	9
Power	200
Total	350

(Source: Planning Commission)

Housing

According to Housing & Key Building Materials in India: A Long-Term Perspective (1991-2011), households are expected to grow at a decadal growth rate of approximately 22% between 2001 and 2011. During this period, more than 40 million new households are expected to be formatted.

India is expected to be the second highest urbanised country in the world by 2010 with 30% living in urban areas. According to an Assocham study, the Indian housing sector faces a shortage of 20 million dwelling units for its lower middle and low-income groups; this is expected to increase to 22.5 million dwelling units by the end of the 10th Plan period. Demand is expected to grow by 90 million units by 2020.

The budgetary support for the housing sector through Five-Year plans has increased, accelerating India's housing sector growth, a trend that is expected to continue.

Optimism in a nutshell

The productive population (age 25-44) of India will grow to 369 million by 2013, up 33% from 278 million in 2001.
India will have 107 million households with an annual income of US$ 2000 or more in 2010 compared to 53 million households today.
By 2010, people earning Rs. 1,00,000 or more will constitute 48% of the total earning population.
Approximately 70% of new homes in India are being financed through mortgage due to a steep decline in interest rates over the decade.
Over the next 10-15 years, India will need to build at least 90 million housing units to meet the shortfall.

Consumer durables

- The Indian consumer durables industry is estimated at around Rs. 200 billion, contributing over 5.5% to the index of India's industrial production and providing employment to millions of skilled, semi-skilled and unskilled individuals.
- Over the last few years, India has emerged as one of the largest consumer markets across the world, riding a growth in its middle-class population on the one hand and a declining price for most consumer durable products on the other. As a result, consumer durables are now being seen as necessities, reflected in their rapid growth across brands, products, categories and conveniences.
- This growth has been driven by an expansion in India's services sector, rising disposable incomes, easy consumer credit availability and a large proportion of India's consumers figuring in the 18 ñ 35 age group with a growing spending propensity. This population segment is estimated at 300 million and is expected to grow to 450 million before the end of this decade.

- Rural India offers a growing opportunity with a reported annual growth rate of 25% in the offtake of consumer durables on account of rising agricultural incomes, the Government's rural electrification thrust and an increasing willingness to enhance lifestyle quality. A significant penetration potential also exists in rural India. FICCI estimates that refrigerators presently suffer from a penetration of only 2% while washing machines suffer from a penetration of 0.5%, offering a vast scope of growth.

HUMAN RESOURCES

Significance

At JSW Steel, human resource management is critical for the maximisation of productivity of more than 4,000 members, translating into an efficient return on assets and resources.

Towards this goal, the Company initiated innovative HR practices in the areas of communication, motivation, training and rewards. In doing so, the Company was placed second in the Delhi Management Association (DMA) Erehwon Awards for innovative HR practices in Nov 2006; it was ranked fourth in the 'Best companies to work with' survey conducted by Business Today in November 2005.

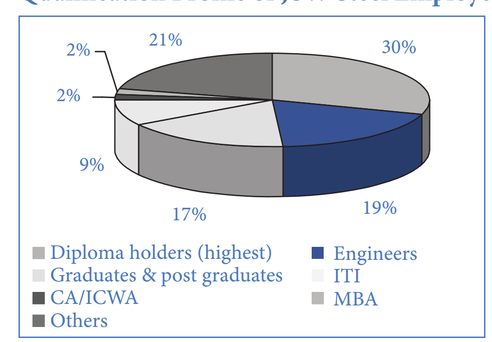
JSW recorded an attrition of 5.9% in 2006-07 which was significantly below the industry average of 9.4% while annual productivity per employee increased from:

- 642 tonnes/person-year in 2005-06 to 665 tonnes/person-year in 2006-07 (considering works employees in JSW Steel + outsourced)
- 1,510 tonnes/person-year in 2005-06 to 1,777 tonnes/ person-year in 2006-07 (considering works employees in JSW Steel)

Composition and qualification

Over the years, JSW Steel has strengthened its people profile through the prudent recruitment of MBAs, CAs, ICWAs, ITIs, engineers, graduates and post graduates and diploma holders. These professionals comprised 79% of the Company's total employee mix as on 31st March 2007; average employee age was 32 years.

Qualification Profile of JSW Steel Employees



Communication and motivation initiatives

An effective communication model serves as a key tool in knowledge dissemination, information flow, ease of operational functioning and issues management.

For the above stated purpose, the Company embarked on initiatives like:

- 'Manthan' - HR meet of JSW Group companies, encompassing a review of all recent HR related activities.
- Open House - A platform for all employees to voice their opinions and issues to the top management.
- Soundboard - A shop floor employees' stage to air their concerns to the management and seek redressal.
- Voice of People - Employee Feedback program.
- Open Door Policy - Allows members to directly interact with Jt. Managing Director & CEO.

- Bonding events - Informal gatherings, picnics, celebrations are a part of the bonding events.
- Mera Sujhav - An initiative that encourages members to recommend innovative, viable ideas to improve technology, process, policy, work life balance or in any other sphere that they deem important. In the year 200607, 11,773 suggestions were received out of which 3,773 were implemented resulting in savings of around Rs. 80 crores. The implemented ideas were rewarded on the basis of implementation and related savings.

Recruitment and training initiatives

Attracting qualified professionals and skilled labour is challenging. The Company's team of recruiters visited reputed campuses for a 'Campus Connect Programme', entailing a student interaction to understand their industry knowledge and provide opportunities. Through its strong brand image, JSW attracted and selected 317 graduate engineers and 41 management trainees. In addition, 276 diploma holders, 36 CAs/ ICWAs and 306 experienced personnel were also recruited.

Training and development

Induction training was imparted to graduate engineering trainees covering 15 days with an emphasis on skill enhancement through training (technical, behavioral, safety and environment related modules). A week long induction for management trainees covering all locations was conducted to acclimatise them and provide them with an overall view of the organisation's functioning.

The Company's structured training calendar is broken into monthly training plans in line with member needs. These training needs are addressed by specialised faculty from coveted institutions.

Technical and functional trainings pertained to areas like hydraulics, lubrication systems, customs laws and procedures, boilers and switchgear maintenance. Seminars were conducted in energy conservation, waste management, environmental legislations, trends in environmental impact assessment and various behavioral training in India and abroad. Numerous management development programmes for senior and middle management in association with institutes like IIM (Bangalore), IIM (Ahmedabad) and MDI (Gurgaon) were conducted. Students from premier institutes like IIM (Lucknow), IIM (Indore) and Symbiosis (Pune) were taken for summer internships.

Year	Training person-days per employee
2006-07	6.79

In view of the importance of skill enhancement, an 18 month eMBA module was initiated with NMIMS, India's leading management institute. Some 29 participants enrolled, incentivised by a 50% course fee subsidy from the Company. The Company encouraged members to pursue a BS course with BITS Pilani under plants such as Bao Steel (China), POSCO (South Korea), VAI Linz (Austria), Morgan Construction Company (USA) and Fukuyama Steel Works (Japan).

Rewards and recognition initiatives

The Company considers recognising and rewarding members as integral to morale management. Efficient and hard working employees are rewarded to enhance employee productivity and create a world class organisation.

Awards under different categories	Number of recipients
Safety competitions	17 teams
Best employee-JSW	2
Best employee-outsourced	2
Inter-departmental quiz competition	22
Mera Sujhav	2395
Bravery and courageous work	12
Security (sincerity and dedication)	7

Awards under different categories	Number of recipients
Exemplary work	21
Young Thinkers' Award	2
JSW Sports	2

Other Benefits

The JSW employee benefits, apart from the routine ones that are a part of all other organisation benefit schemes, comprise the following:

- Medical insurance for self and family including parents.
- 'Own your car' scheme with an easy EMI plan.
- Residential township for employees with all modern amenities and facilities comprising of squash courts, swimming pools, tennis courts, table tennis and a cricket ground, among other facilities.

THE SOCIALLY RESPONSIBLE CITIZEN

Our dream

JSW Steel intends to emerge as the following:

- The **employer of preference** in all locations in which the Company operates.
- The **best corporate citizen** in India, by making a difference in the quality of life of people in the environment where it operates.
- Green influence making a **Clean and Green environment** through a programme of management and continuous improvement of the surrounding environments in which it lives.

...and how it is realised

Through

- Environmental initiatives
- Educational initiatives
- Art, culture and heritage initiatives
- Health and cleanliness initiatives
- Sports initiatives

Environmental initiatives

- Extensive tree plantation helped the barren land turn green.
- About 1,20,000 saplings of Jatropha - a bio-diesel plant - were raised over 120 acres till December 2006 for the following reasons:
  - Jatropha grows on gravelly, sandy, saline and even stony soil.
  - The organic matter from the fallen leaves improves soil fertility by encouraging the function of earthworms.
  - Jatropha plant's water requirement is low and it can withstand extended drought by shedding most of its leaves to reduce transpiration loss.
  - Jatropha helps prevents soil erosion and the shifting of sand dunes.
- The JSW Foundation initiated vermi-composting for yielding nutrient rich manure. Composting of biodegradable wastes helped enrich the soil and generate employment for those below the poverty line. The foundation is now focusing on methods for segregating the biodegradable and non-biodegradable wastes and improving the composting methods.

- The Foundation will grow bio-fuel saplings such as Jatropha-55000 saplings, Pongemia-1500 saplings, Mahua-500 saplings and Simarouba-500 saplings by the end of March 2008.
- Rainwater harvesting was initiated in two schools and will be extended to another 15 by March 2008.

Education and livelihood initiatives

- JSW Foundation and Azim Premji Foundation provided 52 computers to computer assisted learning centres (CALC) across 13 schools and proposes to increase this to 200 by 2010.
- JSW Foundation, Akshara Foundation and the education department of Karnataka initiated 'Balwadi Centres' to enhance learning skills through mobile libraries and accelerated learning programmes. These centres of learning assisted 925 retarded learners. These centres were instrumental in generating employment for women who can earn up to Rs. 2,000 by setting up child centres in their own houses. Twenty such Village Learning Centres covered 439 schools.
- JSW Foundation and the ISKCON Foundation initiated the Akshaya Patra programme under which 18951 children from 48 schools of Bellary, Hospet and Sandur Taluks were provided nutritious food. JSW Foundation contributed Rs. 2.5 crores towards the construction of a kitchen in 2005-06 and contributed Rs. 1 crore to feed 10,000 children. The Foundation also extended scholarships to deserving students, distributing books and uniforms.
- JSW Foundation also organised visits by rural children to its steel plant and summer camp for all-round development.

Art, Culture and heritage initiatives

- The Jindal Art Foundation (JAF) was established in 1984 to create awareness and promote contemporary art across India. The JAF established its edifying arm, The Jindal Arts Creative Interaction Centre, in 1994 as a separate entity under the National Centre for Performing Arts to promote art and artists.
- JAF collaborated with the Royal Court Theatre (London), British Council (Mumbai) and Rage Productions to provide Indian playwrights with a platform called 'Writers' Bloc' which helped nine original scripts to be approved by the Royal Court Theatre and be performed at the Prithvi Theatre and National Centre for Performing Arts, Mumbai.
- JAF started a quarterly magazine called The Art News Magazine of India in April 1996 to provide news from the world of art collected from famous art centers across the country and abroad. It helped popularise contemporary art across a large cross-section of society.
- JAF supported the famous Kala Ghoda Festival in Mumbai.
- JACIC organised film premiers, conducted art workshops, organised debates and group discussions to create awareness for varied art forms.
- JACIC took up a scheme called 'Art in Public Places'to beautify city spaces.
- The JSW Foundation sponsored the 'Kaifi aur Main'show in New Delhi on 23rd March, 2007. An Art Camp was recently organised at Vijayanagar (Bellary, Karnataka) where 21 artists displayed their work and methods.
- The Foundation supported the establishment of an enameling studio at the Vasind works (Thane, Maharashtra) in association with the Enamelist Association of India.

Health and cleanliness initiatives

- Jindal Sanjeevani Hospital (JSH) was commissioned on 6th July 2003. This 27,000 sq ft state of the art hospital employs competent professionals. The hospital delivers superior healthcare service through the following:
  - 75 beds - four in the Intensive Care Unit (equipped with defibrillator, ventilator and multiparameter monitor), four in the burn ward and 67 in the general and private wards.

  - In-patient and out-patient services like medical check-ups, outreach programmes, pharmacy, surgeries and ambulance services.
  - Diagnostic services such as PFT, TMT, ultrasonography, audiometry, ECHO, X-ray, testing laboratory and a blood bank.
- Prior to recruitment, members underwent a medical examination at JSH. Customised medical-Check-ups comprised Periodical Medical Examination, tests for canteen workers, crane, locomotive and truck drivers.
- JSH conducted school health programmes and pulse polio immunisation in collaboration with NGOs, government bodies and family planning operations.
- Four eye camps were conducted till December 2006 comprising free eye cataract surgeries and other ophthalmic services. Around 110 eye cataract surgeries were conducted till December 2006 (another 90 are proposed by March 2008).
- 12 health checkup camps were conducted across neighbouring villages, benefiting 1896 patients in 2006-07.
- Dental camps were conducted by JSH in collaboration with Dental College of Dharwad. Around 101 patients from nine villages were diagnosed for dental problems.
- About 1,382 JSW members and neighbouring villagers were educated in HIV/AIDS prevention in collaboration with the Bellary District Aids Prevention Society, UNDP, MYRADA and VIMS Bellary. Special counseling centres and condom vending machines were set up at truck parking areas to popularise the concept of protected sex.
- Scarcity of water and a high-level of fluoride content prompted the Company to commission a drinking water supply scheme for an investment of Rs. 6 crores that will meet drinking water requirements of 40,000 people across 15 neighbouring villages for the next few decades.

Cleanliness Awareness Programmes commenced at a number of wards of the City Municipal Council of Bellary. A mechanised garbage disposal system in the form of a special truck fitted with self-loading and unloading hydraulic system of 5 cubic meter including 25 garbage bins along with 200 dust bins was installed.

To deal with malnourishment, which is a major concern, JSW Foundation has associated with the Akshaya Patra Trust in providing nutritious mid-day meals in schools in and around Bellary. Five acres of land has been allocated to the trust to set up a kitchen. The Foundation proposes to reach out to at least 1,00,000 students.

Sports initiatives

- Jindal Vijayanagar Sports Club, established in December 1997, was set up with the objective to promote a spirit of excellence in sports. The club governed the following academies:
- Jindal Badminton Academy
  - Jindal Table Tennis Academy in Vasind
  - Jindal Swimming Academy
  - Jindal Squash Academy in Vasind
- The Jindal Vijayanagar Sports Club organised a taluka-level inter-school sports meet and district-level summer sports camp for school children across 11 villages.
- The Jindal Vijayanagar Sports Club sponsored individuals and teams with help from the government, providing them with sports gear.
- The Squash Academy trained 120 students, 28 of whom played at the national level and seven at the international level.
- Yoga was introduced in schools for physical and mental growth.

Risks and concerns and their management Objective:

JSW has successfully implemented risk management framework to achieve the following objectives.

a) Strategic: High-level goals, aligned with and supporting its mission.

b) Operations: Effective and efficient use of its resources.

c) Reporting: Reliability of financial reporting.

d) Compliance: Compliance with applicable laws and regulations.

Risk review process:

Risks are assessed and ranked according to the likelihood and impact of them occurring. Existing controls are assessed and mitigation measures discussed.

Risks/controls and mitigation measures are uploaded on Company's intranet for regular review and updation by process owners.

Risk management committees have been formed for quarterly overview of high impact risks.

SAFETY, HEALTH AND ENVIRONMENT

'A patch of excellence cannot be built on the matrix of misery' - *JSW Steel slogan*

Quality, environment, occupational health and safety policy.

JSW Steel shall strive for continual improvement and innovation in the integrated steel plant operations for quality products and services in a healthy eco-friendly work environment including hazard identification and risk management and create a niche across national and international markets.

JSW Steel commits itself to achieve it through:

- Endeavouring to protect the safety and health of the employees and the society at large on a proactive basis.
- Prevention of pollution by zero waste generation through the application of recovery, recycle and resource techniques.
- Delivering the quality products and services at competitive prices in time to the satisfaction of the customer.
- Implementing the effective environmental management practices in all the activities.
- Complying with all legal statutory rules and regulations of the state and central government and other requirements.
- Upgrading the knowledge and skill levels of all employees including contractors' employees, through education and training for continual improvement of performance in all the activities.

The policy, its objectives, targets and implementation shall be periodically reviewed to ensure that they remain relevant and are communicated to all concerned.

Safe working environment

JSW Steel is committed to manufacture steel in a safe working environment; the focus is on proactive prevention over remedial action for relevant reasons:

- *High temperatures:* The temperature of hot metal is about 1460 degrees centigrade while that of steel slabs is 1250 degrees centigrade and that of HR coils is 860 degrees centigrade. In such an environment, even a minor negligence can cause serious injury to person and property.-- Hazardous gases: Steel making processes release hazardous gases.
- *High speed equipment proximity:* An attention drop could be detrimental to those manning plant operations.
- *Other accidents:* These could comprise flaws in the material handling system, among others.

Highlights

- A team of 23 qualified professionals operate in the Company's safety cell.
- An investment of Rs. 6 crores was made for personal protective equipment.
- A number of safety measures were practiced.
- OHSAS 18001 accreditation was received by all units.
- Assistance was provided to mitigate safety problems within a 15-20 km radius of the upstream unit.

Achievements, 2006-07

- Award of the Athyunnatha Suraksha Puraskara.
- Organisation of a state-level safety day at the JSW unit.

Safety initiatives

Safety committee - The institution of a safety committee comprising an equal number of shop floor and management representatives, participate in a Departmental Safety Committee, which meets once a month. A Central Safety Committee, chaired by JMD and CEO comprises HODs and the committee meets every month; its function comprises policy formulation, training calendar creation and accident rate minimisation.

Safety norms within the plant - The Company made a sensitive provision of the following in plant design:

- Demarcated walkways to highlight accident-prone zones.
- Speed limit of all in-plant vehicles.
- Road safety campaigns are being conducted.
- Provision of blinker lights at in-plant railway crossings.
- Permit to work system is being strictly followed in the Works area.
- Safety pledges are being taken before starting the job.
- Safety audits/patrolling, safety campaign, are being conducted.
- HAZOP Study, structural inspection and risk analysis is being carried out for all plant units and new plants before commissioning.
- Mock drills are being practiced every month.
- All buildings are provided with an emergency escape route.

Improving working processes -The Company made thefollowing replacements to enhance safety:

- Replacing chlorine with hypochlorite in certain processes.
- Use of the water spray system along the coke conveyor route above the conveyor belt.
- Providing safety guards for all rotating/moving parts.
- Risk control rating system is being followed.
- Safety culture is evaluated.
- Behavior-based safety is being implemented.
- Congestion is being eliminated at all works area.
- National/international safety experts are being regularly engaged to carry out the safety audit and HAZOP study for improving safety standards.

Training

The training mechanism at JSW Steel was segregated into the following sections:

Safety induction training: New recruits underwent rigorous in-plant safety training for one day.

In-house training: The safety department drew a comprehensive training schedule, drawing on internal resources and external faculty. During 2006-07, the Company conducted shop floor training programs covering 100% of its total workforce (including outsourced employees).

- *Tool box talk:* These job safety explanations by safety officers to the shop floor personnel served as a course correction prior to any job commencement, critical activities and plant shut downs.

  Post diploma in industrial safety: This first of its kind 12-month event in Karnataka provided a post-diploma in industrial safety, comprising 30 students per batch.
- *Safety audit:* Invitations to safety experts to conduct facility audits strengthened a global compliance and internal vigil. Over the years, the Company's facilities were audited 11 times of which two were conducted in 2006-07.

Healthy person, productive member

The environment and its conservation is critical to our existence for important reasons:

- The steel industry, directly and indirectly, consumes principal environment constituents. For every one tonne of hot metal, nearly four tonnes of coal, iron ore and fluxes as well as 6 Gcal of energy is consumed.
- Steel manufacture generates one tonne of waste per tonne of crude steel produced.
- The release of toxic gases pollutes the environment.

In view of this reality, the Company's commitment is not just focused on commerce but community; the aim is not just to manufacture products in the narrow sense but promote a wholesome wellbeing. In view of this, the Company focuses on fulfilling the needs of the present generation without compromising the ability of future generations to meet theirs.

As an extension of this commitment, the Company embarked on a transparent, extra-reporting initiative that explains its environment management philosophy and highlights ongoing initiatives.

Highlights

- Receipt of the ISO 14001 certification, an international environment-centric water mark, by all units.
- Lowest water consumption per tonne of steel at 3.5m3/t (of fresh water).
- Zero pollutant discharge through extensive water recirculation and reuse of blow-down water for horticulture.
- One of the highest waste utilisation levels in the Indian steel industry environment at 85%, reducing stress on land requirement for disposal.
- A refusal to use any ozone-depleting substances in the production facilities.

Additions, 2006-07

- Commissioned the mixer dedusting system in the BOF shop and the stock and cast house dedusting system in BF-2.
- Introduced the flue gas cleaning and plant dedusting systems at the sintering plant.
- Installed dust collectors at the raw material transfer points.
- Built a water treatment facility for the second blast furnace.
- Commissioned a guard pond for the recirculation of treated water.

Environment philosophy

At JSW Steel, environment norms have been designed in conformance with international standards.

Technology

Since inception, the Company has invested in environment-friendly technologies:

- Corex process for hot metal production.
- Non-recovery based coke making.
- Gas based power generation.
- Pellet plant using iron ore fines.
- Ore beneficiation plant.

Air pollution: The Company has classified air pollution under two heads, primary from the process operations and secondary emissions those not directly connected with the process.

Primary pollution management

- Surplus gases from the plants are being completely used for power generation reducing any pollution from waste gas emission.
- The Company has fitted state-of-the-art ESPs, bag filters, scrubbers, cyclones and dedusting systems across its 70 chimneys.
- The Company incorporated a jumper technique for emission reduction at the time of coal cake charging in the ovens.

Secondary pollution management

The Company invested in state-of-the-art equipment to minimise secondary air pollution not covered by the statutory norms through the following initiatives:

- High capacity vacuum cleaners for road sweeping.
- Installation of CCTV cameras at the top of its Corex units for emission monitoring.
- Use of closed containers for the transportation of dust collected in bag filters and other devices.
- Commencement of the vacuum spillage system to collect material spillage between conveyors and junction boxes.

Solid waste pollution

More than 85% of the solid waste generated in the system was recycled, minimising environmental impact.

- Blast furnace and Corex sludge was used in the pellet plant.
- Hot strip mill scale were fed into the sinter plant.
- Slurry from the BOF and hot strip mill were charged to the pellet plant.
- Bag house fines were used in the pellet plant.
- Part of the coal and iron ore fines was used in the sinter and pellet plants respectively.
- Part of the coal fines was sold to JSW Energy Ltd., a group company.
- Blast furnace and COREX slag was converted into granulated slag; a part was used in the 0.2 MTPA cement plant and the rest sold to nearby cement plants for cement making.
- A part of the BOF slag was used in the sinter plant, while a majority was sent to the Government designated area of Sultanpur for slime pond stabilization.
- Investment of Rs. 2 crores was made in an incinerator to burn cotton, jute and oil waste from other units.
- Commissioned one bio-gas plant in the proximity of the canteen to replace LPG consumption.
- Creation of a centralised waste collection system, where solid waste is segregated into various heads to be sold, enhancing revenues.

Waste water management

JSW Steel continues to be one of the lowest consumers of fresh water per tonne of steel in the world. It installed effluent treatment plants ñ with primary and secondary treatment units - to treat all liquid in-process pollutants. More than 95% of the treated water was re-used in the manufacturing process, while the rest was drained into a guard pond and utilised in in-plant landscaping.

Hazardous waste

Waste oil generated from the hot strip mill was partly used in the newly commissioned coke oven units to increase coke bulk density and improve quality; the rest was sold to authorised re-processors. Lead acid batteries were stored in earmarked, shaded areas on concrete platforms and sold to authorised re-processors. Oil and chemical drums were sold to government-approved parties. The Company entered into an agreement for the buy-back of chemical drums with vendors.

Green belt

JSW Steel landscaped its unit with a singular vision - *'Having a steel unit in a garden'*- through a number of initiatives:

- Planted more than 10 lac trees in only six years.
- Left more than 30% of the land area open for greenery.
- Created a separate department for managing in-plant landscape.

These initiatives have already yielded significant results. For instance, the hitherto barren Toranagallu received 868 mm of rainfall in 2005 and 759 mm in 2006, as against 445 mm prior to the start of plant operations.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. COMPANY'S PHILOSOPHY:

Corporate Governance at JSW Steel has been a continuous journey and the business goals of the Company are aimed at the overall well being and welfare of all the constituents of the system. The Company has laid a strong foundation for making Corporate Governance a way of life by constituting a Board with balanced mix of experts of eminence and integrity, forming a core group of top level executives, inducting competent professionals across the organization and putting in place best systems, process and technology. The Company combines leading edge technology and innovation with superior application and customer service skills.

At the heart of Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and Board. It is believed that the imperative for good corporate governance lies not merely in drafting a code of corporate governance but in practicing it. Your Company confirms the compliance of Corporate Governance as contained in clause 49 of the Listing Agreement, the details of which are given below:

2. BOARD OF DIRECTORS:

2.1. Composition:

The Board of Directors as at 31.03.2007 comprises of 12 Directors, of which 9 are non - executive. The Chairman is non-executive and the number of independent Directors is 6 which is in compliance with the stipulated 1/3rd.

The Board composition & category of Directors as at 31.03.2007 is as under:

Name of the Director	Position
Executive	
Mr. Sajjan Jindal	Vice Chairman & Managing Director
Dr. B. N. Singh	Jt. Managing Director & CEO
Mr. Seshagiri Rao M.V.S	Director (Finance)
Non-Executive	
Mrs. Savitri Devi Jindal	Chairperson
Dr. S. K. Gupta	Director
Ms. Sobha Nambisan IAS	Nominee of KSIIDC (Equity Investor)
Non-Executive Independent	
Mr. Anthony Paul Pedder	Director
Dr. Vijay Kelkar	Director
Mr. Sudipto Sarkar	Director
Mr. Uday M. Chitale	Director
Nominee Directors	
Mrs. Zarin Daruwala	Nominee of ICICI Bank Ltd. (Lender)
Mr. S.Jambunathan IAS (Retd.)	Nominee of UTI Asset Management Company Pvt Ltd. (Lender)
Total No. of Directors = 12	

None of the Directors on the Board is a Member on more than 10 committees and Chairman of more than 5 committees (as specified in clause 49) across all the Companies in which he/she is a Director.

The information as required under Annexure 1A to Clause 49 is being made available to the Board.

2.2. Meetings and attendance record of each Director:

5 Meetings of the Board were held on the following dates during the year ended 31st March, 2007:

1. 19th April, 2006
2. 25th July, 2006
3. 19th October, 2006
4. 22nd January, 2007
5. 13th March, 2007

The attendance record of the Directors at the Board Meetings held during the financial year ended on 31st March, 2007 and the last Annual General Meeting (AGM) and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

Name of the Director	Attendance Particulars		No. of other Directorships and other Committee Memberships / Chairmanship		
	Board Meetings	Last AGM (Y/N)	Other Directorships#	Committee Memberships*	Committee Chairmanships
Through out the Year					
Mrs. Savitri Devi Jindal	None	N	7	Nil	Nil
Mr. Sajjan Jindal	4	Y	6	Nil	Nil
Dr. B.N.Singh	5	Y	1	Nil	Nil
Mr. Seshagiri Rao M.V.S	5	Y	2	Nil	Nil
Dr. S K Gupta	5	Y	9	6	2
Mr. Anthony Paul Pedder	3	Y	Nil	Nil	Nil
Dr. Vijay Kelkar	4	N	10	4	Nil
Mr. Sudipto Sarkar	3	Y	2	1	Nil
Mr. S.Jambunathan, IAS (Retd.)	4	Y	Nil	Nil	Nil
Mr. Uday M Chitale	5	Y	6	2	4
Mrs. Zarin Daruwala	4	N	Nil	Nil	Nil
Part of the Year					
Mrs. Sobha Nambisan, IAS (from 18.05.2006)	4	N	7	Nil	Nil
Mr. K.V.Krishnamurthy (upto 11.12.2006)	3	Y	7	3	1
Mr. I. M. Vittla Murthy, IAS (upto 17.05.2006)	1	N	8	Nil	Nil

*Only two committees, namely, Audit Committee, Shareholders/Investor Grievance Committee have been considered.

Excluding Directorship in Private Limited and Foreign Companies.

3. AUDIT COMMITTEE:

i) The Audit Committee met 4 times during the year ended on 31st March, 2007 on 18.04.2006 24.07.2006, 19.10.2006 and 22.01.2007. The Constitution of the Committee as at 31.03.2007 and the attendance of each Member is as given below:

Sr. No.	Name of the Director	No. of Meetings Attended
1	Mr. Uday M Chitale	4
2	Dr. S.K.Gupta	4
3	Mrs. Zarin Daruwala (Nominee-ICICI Bank Ltd)	1
4	Mr. K.V.Krishnamurthy (Nominee-IDBI) (upto 11.12.2006)	3

Audit Committee consists of 2 Independent directors and 1 non-independent director. They possess adequate knowledge of Accounts, Audit, Finance, etc. Mr. Uday M. Chitale is the Chairman of the Audit Committee.

ii) Audit Committee meetings are also attended by the Joint Managing Director and CEO, Director (Finance), Head of Internal Audit, the Company Secretary/Assistant Company Secretary and the Statutory and Management Auditors.

iii) The Broad terms and reference of Audit Committee are to review the financial statements before submission to Board, to review reports of the Management Auditors and Internal Audit department and to review the weaknesses in internal controls reported by Management, Internal and Statutory Auditors and to review the remuneration of Chief Internal Auditor. In addition, the powers and role of the Audit Committee are as laid down under clause 49 II C & D of the Listing Agreement and Section 292A of the Companies Act' 1956.

4. REMUNERATION COMMITTEE:

The Remuneration Committee which is a non mandatory requirement of Clause 49 was constituted on 23.03.2002.

The terms of reference of the said committee' are as follows:

i) To determine on behalf of the Board and on behalf of the Shareholders, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

ii) To approve the payment of remuneration to Managerial Personnel as per the Policy laid down by the Committee.

The Remuneration Committee met once during the year ended on 31st March, 2007 on 18.04.2006. The Constitution of the Committee as at 31.03.2007 and the attendance of each Member is as given below:

Sr. No.	Name of the Director	No. of Meetings Attended
1	Mr. Uday M Chitale	1
2	Mrs. Zarin Daruwala (Nominee-ICICI Bank Ltd)	0
3	Mr. K.V.Krishnamurthy (Nominee-IDBI) (upto 11.12.2006) (Chairman)	1
4	Dr. S.K.Gupta	1

4.1 Remuneration Policy & Details of Remuneration paid to Directors:

The Remuneration Committee recommends the remuneration package for the Executive Directors of the Board. In framing the remuneration policy the Committee takes into consideration the remuneration practices of Companies of similar size and stature and the Industry Standards.

The Directors' compensation is based on the appraisal system wherein their individual goals are linked to the organisational goals. Executive Directors (ED) are paid, subject to the approval of the Board and of the Company in General Meeting and such other approvals, as may be necessary, compensation as per the agreements entered into between them and the Company. The present remuneration structure of ED comprises of salary, perquisites, allowances, performance linked incentive and contributions to PF & Gratuity.

The non-executive directors are paid sitting fees at the rate of Rs.20,000/- for each meeting of the Board and sub-committees attended by them and commission as detailed below:

Sr. No.	Name	From	To	Commission (Amt. in Rs.)
1	Mrs. Savitri Devi Jindal	1-Apr-06	31-Mar-07	800,000
2	Dr. S K Gupta	1-Apr-06	31-Mar-07	1,225,000
3	Mr. I M Vittala Murthy, IAS* (KSIIDC Nominee)	1-Apr-06	17-May-06	178,014
4	Mr. K V Krishnamurthy (IDBI Nominee)*	1-Apr-06	11-Dec-06	818,836
5	Mrs. Zarin Daruwala (ICICI Nominee)*	1-Apr-06	31-Mar-07	1,150,000
6	Mr. Anthony Paul Pedder	1-Apr-06	31-Mar-07	1,025,000
7	Mr. S Jambunathan, IAS (Retd.) (UTI Nominee)*	1-Apr-06	31-Mar-07	1,100,000
8	Dr. Vijay Kelkar	1-Apr-06	31-Mar-07	1,100,000
9	Mr. Sudipto Sarkar	1-Apr-06	31-Mar-07	1,025,000
10	Mr. Uday M Chitale	1-Apr-06	31-Mar-07	1,325,000
11	Mrs. Sobha Nambisan IAS* (KSIIDC Nominee)	18-May-06	31-Mar-07	996,986
	TOTAL			10,743,836

* Payable to the respective Financial Institutions they represent.

The Commission payable to the Non Executive Directors is based on the meetings of the Board/ Committee attended by them and their contribution to the Company during the year.

The Details of Remuneration paid to the Whole-time Directors for the financial year 2006-07 is as given below:

Name of Director	Salary & Perks (Rs. in crores)	Commission (Rs. in crores)	Present Period of Agreement	Notice Period
Mr. Sajjan Jindal Vice Chairman & Managing Director	3.52	9.73	07.07.2002 to 06.07.2007	Not applicable
Dr. B.N.Singh Jt. Managing Director & CEO	1.03	Nil	13.10.2003 to 12.10.2008	6 months from Company's side, 3 months from the Director's side.
Mr. Seshagiri Rao M.V.S Director (Finance)	0.80	Nil	06.04.2004 to 05.04.2009	3 months from either side.
TOTAL	5.35	9.73		

Note: Salary includes Basic Salary, House Rent Allowance, Bonus, LTA, Use of Company's Car, Furniture & Equipment and perquisites, the monetary value of which has been calculated in accordance with the provisions of the Income Tax Act, 1961 and Rules made there under but does not include Company's Contribution to Gratuity Fund and Leave encashment.

As on 31st March, 2007, 7530 equity shares and 91 equity shares are held by Mrs. Savitri Devi Jindal and Dr S K Gupta, Non Executive Directors of the Company.

5. SHAREHOLDERS / INVESTORS GRIEVANCECOMMITTEE:

The Shareholders/Investors Grievance Committee met twice during the year ended on 31st March 2007 on 21.11.2006 and 20.03.2007. The Constitution of the Committee as at 31.03.2007 and the attendance of each Member is as given below:

Sr. No.	Name of the Director	No. of Meetings Attended
1	Mr. K.V.Krishnamurthy (Nominee-IDBI) (upto 11.12.2006) (Chairman)	1
2	Mrs. Zarin Daruwala (Nominee-ICICI Bank Ltd)	0
3	Dr. S.K.Gupta	1
4	Mr. Uday M Chitale	1

The terms of reference of the 'said committee' are as follows:

1) Review the reports submitted by the Registrars and Share Transfer Agents of the Company at half yearly intervals.
2) Periodically interact with the Registrars and Share Transfer Agents to ascertain and look into the quality of the Company's Shareholders / Investors grievance redressal system and to review the report on the functioning of the said Investor grievances redressal system.
3) Follow-up on the implementation of suggestions for improvement.
4) Periodically report to the Board about serious concerns if any.

Mr. Lancy Varghese, Company Secretary is the Compliance Officer. His address and contact details are as given below:

Address : Victoria House, Pandurang Budhkar Marg, Lower Parel (W), Mumbai-400 013
Phone : 022-24927000
Fax : 022-24917933
Email : jswsl.investor@jsw.in

No. of Shareholders' Complaints received during the year ended 31.03.07: 7342

Number not solved to the satisfaction of Shareholders: Nil

No. of pending Complaints: 19

No. of pending share Transfers as on 31.03.2007: 331*

*There were no share transfers pending for registration for more than 15 days as on the said date.

6. ANNUAL GENERAL MEETINGS:

The details of date, time and location of Annual General Meetings (AGM) held in last 3 years are as under:

AGM	Date	Time	Venue
10th AGM	30.12.2004	12.00 Noon	Regd.Office: P.O. Toranagallu, Sandur Taluk, Bellary District, Karnataka - 583 123.
11th AGM	13.06.2005	3.00 P.M.	Birla Matushri Sabhagar, 19, New Marine lines, Mumbai - 400 020.
12th AGM	25.07.2006	2.30 P.M.	Birla Matushri Sabhagar, 19, New Marine lines, Mumbai - 400 020.

No. of Special resolutions passed during last 3 AGMs

AGM	No. of Special Resolutions
10th AGM	2
11th AGM	2
12th AGM	4

No Special Resolutions have been put through by postal ballot by the Company during Financial Year 2006-07. The Company does not have any proposal for postal ballot this year.

7. DISCLOSURES:

There are no materially significant related party transactions i.e. transaction of the Company of material nature with its Promoters, Directors or the Management, their Subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large.

No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures, which are periodically reviewed.

5,00,000 (Five Lac) Equity Shares of Rs.10 each to Mr. Sajjan Jindal & 65,00,000 (Sixty Five Lac) Equity Shares of Rs.10 each to JSW Investments Private Limited (Formerly known as Samarth Holdings Private Limited) were allotted on 20.03.2007 at a price of Rs. 272/- per share upon exercise of option attached to 'Series A' Equity Warrants held by them. The funds raised have been utilised towards the objects of the issue as stated in the explanatory statement contained in the Notice of the Extra-Ordinary General Meeting held on 08.09.2006 i.e. for debt reduction and to meet capital expenditure/General Corporate purposes.

The Whistle Blower Policy (WBP) adopted by the Company in line with clause 7 of annexure 1D to clause 49 of the Listing Agreement, which is a non mandatory requirement, encourages all employees, officers and directors to report any suspected violations promptly and intends to investigate any good faith reports of violations. The Whistle Blower Policy specifies the procedure and reporting authority for reporting unethical behaviour, actual or suspected fraud or violation of the Code or any other unethical or improper activity including misuse or improper use of accounting policies and procedures resulting in misrepresentation of accounts and financial statements.

WBP also provides safeguards against victimisation or unfair treatment of the employees who avail of the mechanism and no personnel has been denied access to the Audit Committee.

8. MEANS OF COMMUNICATION:

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the prescribed proforma within 48 hrs. of the conclusion of the meeting of the Board in which they are considered, in one English newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of the state where the registered office of the Company is situated.

These results are simultaneously posted on the website of the Company at www.jsw.in. The official press releases are also available on the website.

The quarterly financial results during the Financial year 2006-07 were published as detailed below:

Quarter (F.Y. 2006-07)	Date of Board Meeting	Date of Publication	Name of the Newspaper
1	25.07.2006	27.07.2006	Economic Times Maharashtra Times
2	19.10.2006	20.10.2006 21.10.2006	Economic Times Maharashtra Times
3	22.01.2007	23.01.2007 24.01.2007	Economic Times Maharashtra Times

Four presentations were made to analysts during the financial year 2006-2007 on 19th April 2006, 25th July 2006, 20th October, 2006, 22nd January 2007 and the same are available on the Company's web site. The presentations broadly covered operations, financials and industry outlook.

8.1 Edifar Filing

As per the requirements of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc are being electronically filed on the EDIFAR website, www.sebiedifar.nic.in, within the time frame prescribed in this regard.

8.2 Management Discussion & Analysis Report:

The Management discussion and Analysis Report (MD&A) is a part of the Annual Report.

9. GENERAL SHAREHOLDERS INFORMATION:

Annual General Meeting

Date and Time	:	13.06.2007, 3.30 P.M
Venue	:	Birla Matushri Sabhaghar, 19, New Marine Lines, Mumbai-400020
Dates of Book Closure	:	18.05.2007 to 22.05.2007 (both days inclusive)
Dividend Payment Date	:	No final dividend has been recommended on equity shares. The interim dividend already paid shall be fully adjusted as final dividend for the financial year ended on 31st March, 2007.

Financial Calendar 2007-08:

First quarterly results	:	July, 2007
Second quarterly results	:	October, 2007
Third quarterly results	:	January, 2008
Annual results for the year ending on 31.03.2008	:	April, 2008
Annual General Meeting for the year 2008	:	June / July 2008

Listing of Securities:

The following securities of the Company are listed as on 31st March, 2007 on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited:

a. Equity Shares.

b. Preference Shares.

c. Debentures

The Company has paid Annual Listing Fees to each of the above Stock Exchanges for the financial years 2006-07 and 2007-08.

Stock Code:

Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
Equity	Preference	Debentures	Equity	Preference	Debentures
500228	700085	934657 945225	JSWSTEEL	JSWSTEEL	N.A

ISIN No. for Dematerialisation of listed shares/debentures:

Equity Shares : INE019A01020

Preference Shares : INE019A04016

Debentures : INE548G07022 - 8.50 % NCDs of Rs. 10 lakhs each

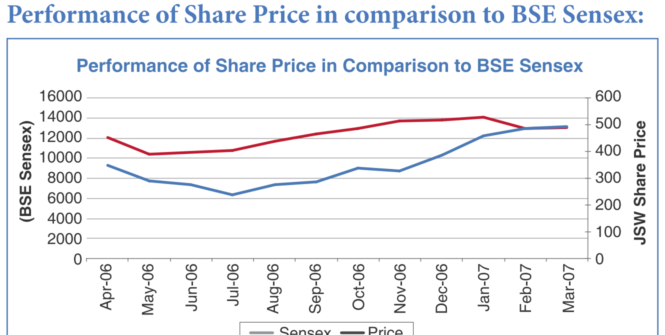
INE548G07014 - 8.50 % NCDs of Rs. 10 lakhs each

Market Price Data

The details of High & Low market price of the shares at the Mumbai and National Stock Exchanges are as under:

Month (2006-07)	Quotation at Bombay Stock Exchange Ltd		Quotation at National Stock Exchange of India Ltd	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2006	371.95	307.55	372.00	300.00
May, 2006	364.40	242.00	364.40	225.10
June, 2006	299.00	205.00	299.00	205.00
July, 2006	288.70	223.75	289.40	222.55
Aug, 2006	300.00	234.15	300.00	233.05
Sept, 2006	296.40	261.10	296.95	260.05
Oct, 2006	346.90	284.20	346.50	284.25
Nov, 2006	350.00	309.00	350.00	309.00
Dec, 2006	395.00	310.00	394.80	310.00
Jan, 2007	465.05	381.00	465.00	352.55
Feb, 2007	504.40	425.05	504.80	420.00
Mar, 2007	508.00	400.00	507.75	400.00

Performance of Share Price in comparison to BSE Sensex:



Registrar & Share Transfer Agents:

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Ph: 040 - 23420815-824 (10 lines).
Fax: 040 - 23420814
E-mail: einward.ris@karvy.com.
Website: www.karvy.com

Share Transfer System:

Shares sent for transfer in physical form are normally registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if documents are found in order. Shares under objection are returned within two weeks.

Distribution of Shareholding:

The distribution of shareholding as on 31st March, 2007 is given below:

Sr. No.	No. of Equity shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1	Upto - 5000	558730	99.31	12097551	7.38
2	5001 - 10000	2138	0.38	1524479	0.93
3	10001 - 20000	865	0.15	1206873	0.74
4	20001 – 30000	283	0.05	691799	0.42
5	30001 – 40000	116	0.02	409511	0.25
6	40001 – 50000	87	0.02	402639	0.25
7	50001 – 100000	143	0.03	980005	0.60
8	>100001	274	0.05	146665956	89.44
	Total	**562636**	**100.00**	**163978813**	**100.00**

Categories of Shareholders as on 31.03.2007:

Category	No. of Holders	No. of Shares	% of holding
Promoters	114	76300727	46.53
NRI	13009	2759865	1.68
FII	80	30722456	18.74
OCB	8	41674	0.03
FBC	2	8218685	5.01
IFI	9	7085958	4.32
IMF	75	10640908	6.49
Banks	21	326845	0.20
Employees	2835	72860	0.04
Bodies Corporate	2847	11442408	6.98
Public	543622	16013432	9.77
Trust	14	352995	0.22
Total	**562636**	**163978813**	**100.00**

Dematerialisation of Shares and Liquidity

The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility. 14,86,15,777 equity Shares aggregating to 90.63% of the total Equity Capital is held in dematerialised form as on 31st March, 2007 of which 86.80% (14,23,25,155 Equity Shares) of total equity capital is held in NSDL & 3.83% (62,90,622 Equity Shares) of total equity capital is held in CDSL as on 31st March 2007.

Physical Share Purchase Scheme

Having regard to the difficulties experienced by the shareholders in disposing off their shares held in physical form and to mitigate the hardship caused to them, your Company has, alongwith Karvy Computershare Private Limited (Karvy), formulated a Physical Share Purchase Scheme in 2005-06.

The equity shares in physical mode tendered by the shareholders under the scheme are sold by Karvy at the prevailing market price and the net sale proceeds thereof are distributed to the concerned shareholders.

The shareholders who wish to avail benefit of the scheme may kindly contact Karvy.

Electronic Clearing Service (ECS) Facility

The Company, with respect to payment of dividend to shareholders, provides the facility of ECS at the following cities:

Ahmedabad, Bangalore, Bhubaneshwar, Kolkatta, Chandigarh, Chennai, Coimbatore, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, Pune, Surat, Trivandrum, Vadodara.

Shareholders holding shares in the physical form, who wish to avail the ECS facility, may send their ECS mandate in the prescribed form to the Company's R & T Agents, in the event they have not done so earlier. The ECS mandate form can be availed from the Company's R & T Agents.

Outstanding GDRs / ADRs or Warrants or any Convertible Instrument, conversion dates and likely impact on equity.

There are no GDRs / ADRs pending for conversion into equity shares. 80,00,000 (Eighty Lacs) Series B Warrants allotted to promoters are convertible into Equity Shares between 1st April 2007 to 22nd March 2008.

Registered Office:

Jindal Mansion, 5A, Dr. G. Deshmukh Marg, Mumbai – 400 026.

Plant Locations:

Vijayanagar Works	:	P.O. Vidyanagar, Sandur Taluk, Bellary, Karnataka – 583 275.
Vasind Works	:	Vasind, Shahapur Taluk, Thane, Maharashtra – 421 604.
Tarapur Works	:	Tarapur, MIDC Boisar, Thane, Maharashtra – 401 506.

Address for Investor Correspondence:

Registrar & Share Transfer Agents
Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Ph: 040 - 23420815-824 (10 lines)
Fax: 040 - 23420814
E-mail: einward.ris@karvy.com
Website: www.karvy.com

JSWSL Investor Relation Centre
Victoria House, Pandurang Budhkar Marg,
Lower Parel (W), Mumbai – 400 013
Ph.:022-24927000
Fax: 022-24917933
Email:jswsl.investor@jsw.in

CORPORATE ETHICS

The Company adheres to the highest standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings. A Code of Conduct for Board Members and Senior Management and a Code of Conduct for Prevention of Insider Trading as detailed below has been adopted pursuant to clause 49 (D) of the Listing Agreement & the Securities & Exchange Board of India (Insider Trading) Regulations (as amended), respectively:

a) **Code of Conduct for Board Members and Senior Management**

The Board of Directors of the Company adopted the Code of Conduct for its members and Senior Management at their meeting held on 20th October, 2005. The Code highlights Corporate Governance as the cornerstone for sustained management performance, for serving all the stakeholders and for instilling pride of association.

The Code is applicable to all directors and specified senior management executives The Code impresses upon Directors and senior management executives to uphold the interest of the Company and its stakeholders and to endeavor to fulfill all the fiduciary obligations towards them. Another important principle on which the code is based is that the Directors and Senior Management Executives shall act in accordance with the highest standard of honesty, integrity, fairness and ethical conduct and shall exercise utmost good faith, due care and integrity in performing their duties. The Code has been posted on the website of the Company www.jsw.in.

Declaration affirming compliance of Code of Conduct

A declaration by the Jt. Managing Director & CEO affirming compliance of Board members and Senior management personnel to the Code is also annexed herewith.

b) **Code of Conduct for Prevention of Insider Trading**

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by directors, top level executives and staff whilst dealing in shares. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence to the Code.

Compliance Certificate by Auditors:

The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in clause 49 which is annexed herewith.

DECLARATION AFFIRMING COMPLIANCE OF CODE OF CONDUCT

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the year ended 31st March, 2007.

For **JSW Steel Limited**

Dr. B. N. Singh
Jt. Managing Director & CEO

Place : Mumbai
Date : April 30, 2007

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

We have examined the compliance of the conditions of Corporate Governance by JSW Steel Limited for the year ended 31st March, 2007, 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 management. Our examination was limited to the 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 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.

For **Deloitte Haskins & Sells**

P. B. PARDIWALLA
Partner
Membership No. 40005

Place : Mumbai
Date : April 30, 2007

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Dr. B. N. Singh, Jt. Managing Director & CEO and Seshagiri Rao M.V.S., Director (Finance) of JSW Steel Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account, and all its schedules and notes to accounts, as well as the cash flow statements and the director's report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or contain statements that might be misleading;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the company's affairs, and are in compliance with the existing accounting standards and/or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the company's code of conduct;
5. We are responsible for establishing and maintaining internal controls over financial reporting for the Company, and we have:
   a) designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles;
   b) evaluated the effectiveness of the Company's internal control systems pertaining to financial reporting and
   c) disclosed in this report any change in the Company's internal control over financial reporting that as materially affected the Company's internal control over financial reporting.
6. We have disclosed to the Company's auditors and the Audit Committee of the Company's Board of Directors:
   a) deficiencies in the design or operation of internal controls and steps taken / proposed to be taken to rectify these deficiencies;
   b) significant changes in internal controls over financial reporting, if any, during the year covered by this report;
   c) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements and
   d) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the Company's internal controls system over financial reporting.

Place : Mumbai
Date : April 30, 2007

DR. B.N. SINGH
Jt. Managing Director & CEO

SESHAGIRI RAO M.V.S.
Director (Finance)

Auditors' Report

To the Members of JSW Steel Limited

- We have audited the attached Balance Sheet of JSW Steel Limited, as at 31 March 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. 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.
- We conducted our audit in accordance with 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 bymanagement, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to 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.

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, Profit and Loss Account 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 Companies Act, 1956.

(e) On the basis of written representations received from the Directors as on 31 March 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

(f) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required 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 2007;

(ii) in the case of the Profit and Loss Account, of the profit of the Company 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 **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No. 40005

Place: Mumbai
Date: April 30, 2007

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business/activities for the year are such that the requirements of items (i-c), (vi), (x), (xii), (xiii), (xiv), and (xx) of paragraph 4 of the Order are not applicable to the Company.
2. In respect of its fixed assets:
   a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
3. In respect of its inventories:
   a) Inventories were physically verified by the management at reasonable intervals during the year, except for inventories lying with third parties where confirmations have been received.
   b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
   c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternate sources do not exist for obtaining comparative quotations, there are adequate internal control systems 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 we have not observed any continuing failure to correct major weaknesses in such internal controls.
6. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
   a) The particulars of the contracts or arrangements referred to in section 301 that needed to be entered into the register, maintained under the said section have been so entered.
   b) In our opinion and having regard to our comments in paragraph (5) above, the transactions made in pursuance of such contracts and arrangements aggregating during the year to Rs. 5 lacs or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of steel, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central

Government has not prescribed the maintenance of cost records for any other product of the Company.

9. In respect of its statutory dues:

a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales-tax, Service tax, Custom duty, Excise duty, Investor Education and Protection Fund and any other material statutory dues with the appropriate authorities during the year.

b) According to the information and explanations given to us, the following demands have not been deposited since appeals are pending before the relevant Tax Authorities:

Rupees in crores

Name of Statute	Nature of the dues	Amount	Period to which the relates	Forum where dispute is pending
The Custom Act, 1962	Custom Duty	43.71	Various years	Supreme Court of India
The Custom Act, 1962	Custom Duty	0.10	Various High	Court of years Karnataka
The Custom Act, 1962	Custom Duty	7.40	1999-2000	Customs, Excise and Service Tax Appellate Tribunal
The Central Excise	Excise Demand Act, 1944	14.64	Various years	Customs, Excise and Service Tax Appellate Tribunal
The Central Excise Act, 1944	Excise Demand	7.44	Various years	Deputy Commissioner / Commissioner of Central Excise
The Central Excise	Excise Demand Act, 1944	0.10	Various years	The Additional Director General
The Service /Tax, 1944	Service Tax Demand	3.41	Various years	Deputy Commissioner Commissioner of Central Excise
Income Tax Act, 1961	Income Tax Demand	15.08	Various years	Commissioner of Income Tax (Appeals)
The Bombay Sales Tax Act, 1959	Sales Tax Demand	0.24	1996-1997	Deputy Commissioner of Sales Tax (Appeals), Palghar
Uttar Pradesh Sales Tax Act,1948	Sales Tax Demand	0.02	2004-2005	Deputy Commissioner of Sales Tax,Ghaziabad
Bellary Urban Development Authority	Cess	1.73	Various years	High Court of Karnataka
MIDC's Water Supply Regulation 1973	Water Charges	3.54	Various years	Maharashtra Industrial Development Corporation

10. According to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debentureholders.

11. 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 a company from a bank are prima facie not prejudicial to the interests of the Company.

12. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

13. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long term investment.

14. According to the information and explanations given to us, the price at which the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 is not prima facie prejudicial to the interests of the Company.

15. According to the information and explanations given to us and the records examined by us, securities/charges have been created in respect of the debentures issued.

16. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No. 40005

Place: Mumbai
Date : April 30, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

Rupees in crores

	Schedule No.	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	1	**525.80**	497.06
Reserves and Surplus	2	**5,068.25**	3,859.16
		5,594.05	4,356.22
Loan Funds:			
Secured Loans	3	**3,632.50**	4,058.71
Unsecured Loans	4	**540.53**	37.34
		4,173.03	4,096.05
Deferred Tax Liability - Net		**1,012.66**	742.03
Total:		**10,779.74**	9,194.30
APPLICATION OF FUNDS			
Fixed Assets :	5		
Gross Block		**10,512.76**	8,368.43
Less: Depreciation		**2,323.66**	1,850.45
Net Block		**8,189.10**	6,517.98
Capital Work-in-Progress		**2,002.93**	1,861.95
		10,192.03	8,379.93
Investments	6	**192.94**	85.08
Current Assets, Loans and Advances:			
Inventories	7	**1,011.35**	924.23
Sundry Debtors	8	**245.16**	241.26
Cash and Bank Balances	9	**337.80**	98.87
Loans and Advances	10	**549.28**	789.80
Other Current Assets		**342.04**	513.70
		2,485.63	2,567.86
Less: Current Liabilities and Provisions:			
Liabilities	11	**2,210.51**	1,918.34
Provisions	12	**75.22**	224.27
		2,285.73	2,142.61
Net Current Assets		**199.90**	425.25
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	13	**194.87**	304.04
Total:		**10,779.74**	9,194.30
Significant Accounting Policies and Notes forming part of the Financial Statements	19		

Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

P. B. PARDIWALLA
Partner
Place : Mumbai,
Dated : April 30, 2007

SESHAGIRI RAO M.V.S.
Director (Finance)
LANCY VARGHESE
Company Secretary

DR. B. N. SINGH
Jt. Managing Director & CEO

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2007

Rupees in crores

	Schedule No.	Year ended 31.03.2007	Year ended 31.03.2006
INCOME :			
Gross Turnover			
Domestic		**5,743.70**	4,464.41
Export		**3,593.64**	2,337.11
Total :		**9,337.34**	6,801.52
Less: Excise duty		**742.90**	585.99
Net Turnover		**8,594.44**	6,215.53
Other Income	14	**105.15**	382.96
		8,699.59	6,598.49
EXPENDITURE :			
Employees Remuneration and Benefits	15	**175.47**	127.04
Materials	16	**4,029.95**	2,988.26
Manufacturing and Other Expenses	17	**1,572.20**	1,349.73
Interest and Finance Charges (net)	18	**399.54**	363.96
Depreciation etc.		**498.23**	405.82
Miscellaneous Expenditure Written-off		**109.02**	61.79
		6,784.41	5,296.60
Profit before Taxation		**1,915.18**	1,301.89
Provision for Taxation (including Wealth Tax)		**623.18**	445.36
Profit after Taxation		**1,292.00**	856.53
Profit brought forward from earlier years		**1,331.66**	719.57
Amount available for Appropriation		**2,623.66**	1,576.10
Appropriations :			
Transferred from Debenture Redemption Reserve		**39.48**	17.00
Dividend on Preference Shares		**(27.90)**	(27.90)
Interim Dividend on Equity Shares		**(204.98)**	—
Proposed Final Dividend on Equity Shares		—	(125.58)
Corporate Dividend Tax		**(33.49)**	(21.53)
Transfer to General Reserve		**(129.21)**	(86.43)
Balance carried to Balance Sheet		**2,267.56**	1,331.66
Earnings per share (Equity shares, par value of Rs.10 each) (in Rupees)			
Basic		**80.11**	55.57
Diluted		**78.88**	55.57
Significant Accounting Policies and Notes forming part of the Financial Statements	19		

Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

P. B. PARDIWALLA
Partner
Place : Mumbai,
Dated : April 30, 2007

SESHAGIRI RAO M.V.S.
Director (Finance)
LANCY VARGHESE
Company Secretary

DR. B. N. SINGH
Jt. Managing Director & CEO

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

Rupees in crores

			Year ended 31.03.2007		Year ended 31.03.2006
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	NET PROFIT BEFORE TAX		**1,915.18**		1,301.89
	Adjustments for :				
	Depreciation	**498.23**		405.82	
	Miscellaneous Expenditure written off	**109.02**		61.79	
	Profit on sale of fixed assets	**(0.77)**		(0.14)	
	Profit on sale of long term investments	-		(369.20)	
	Interest Income	**(7.27)**		(4.69)	
	Dividend Income	**(0.34)**		(0.03)	
	Interest	**288.24**		287.84	
	Foreign exchange variation (net)	**(0.25)**		1.42	
	Miscellaneous Expenditure Paid	-		(13.41)	
	Provision no longer required written back	**(8.35)**		(2.01)	
			878.51		367.39
	Operating profit before working capital changes		**2,793.69**		1,669.28
	Adjustments for :				
	Trade and other receivables	**118.80**		(22.03)	
	Trade payables	**281.71**		465.74	
	Inventories	**(87.12)**		(180.15)	
			313.39		263.56
			3,107.08		1,932.84
	Direct Taxes Paid		**(284.82)**		(69.25)
	NET CASH FLOW FROM OPERATING ACTIVITIES		**2,822.26**		1,863.59
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets and capital advances		**(2,346.84)**		(1,597.13)
	Purchase of Long Term Investments		**(107.86)**		-
	Sale of Fixed Assets		**0.32**		1.49
	Realisation of Other Current Assets		**205.89**		-
	Interest received		**3.60**		2.87
	Dividend received		**0.34**		0.03
	NET CASH USED IN INVESTING ACTIVITIES		**(2,244.55)**		(1,592.74)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from Issue of Equity Share Capital		**212.19**		240.79
	Proceeds from Long Term Borrowings		**1,242.74**		2,088.25
	Repayment against Long Term Borrowings		**(1,017.67)**		(2,278.44)
	Repayment/availment of Bank Borrowings		**(86.76)**		96.52
	Interest Paid		**(326.16)**		(306.73)
	Dividend Paid		**(408.73)**		(105.39)
	NET CASH USED IN FINANCING ACTIVITIES		**(384.39)**		(265.00)
	NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C)		**193.32**		5.85
	CASH AND CASH EQUIVALENTS - OPENING BALANCE		**49.08**		43.23
	CASH AND CASH EQUIVALENTS - CLOSING BALANCE		**242.40**		49.08

Notes:

(1) The above cash flow statement has been prepared by using the Indirect Method as per Accounting Standard (AS) 3 - "Cash Flow Statementsî issued by the Institute of Chartered Accountants of India.

(2) Cash and cash equivalents include effect of exchange rate changes amounting to Rs. 1.38 crores (Previous year Nil) in respect of Bank balance held in foreign currency.

(3) Cash and cash equivalents exclude balance in margin money, short term deposits and balance in debenture interest/ instalments/dividend payments aggregating to Rs. 95.40 crores (Previous year Rs. 49.79 crores).

As per our attached report of even date

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors
SAJJAN JINDAL
Vice Chairman & Managing Director

P. B. PARDIWALLA
Partner

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

Place : Mumbai,
Dated : April 30, 2007

LANCY VARGHESE
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Rupees in crores

SCHEDULE 1

SHARE CAPITAL

		As at 31.03.2007	As at 31.03.2006
Authorised :			
200,00,00,000	Equity Shares of Rs.10 each	**2,000.00**	2,000.00
100,00,00,000	Preference Shares of Rs.10 each	**1,000.00**	1,000.00
		3,000.00	3,000.00
Issued and Subscribed:			
16,39,78,813 (15,69,75,517)	Equity Shares of Rs.10 each fully paid up	**163.98**	156.98
	Add : Equity Shares Forfeited (Amount originally paid-up)	**61.03**	61.05
27,90,34,907 (27,90,34,907)	10% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	**279.03**	279.03
		504.04	497.06
Share Application Money		**21.76**	—
Total:		**525.80**	497.06

Notes :

1 Of the above, the following equity shares were alloted as fully paid-up pursuant to Schemes of Arrangement and/or Amalgamation without payment being received in cash:

4,39,98,500 equity shares to the shareholders of erstwhile Jindal Iron & Steel Company Limited.

65,57,070 equity shares to the shareholders of erstwhile Euro Ikon Iron & Steel Private Limited.

50,35,767 equity shares to the shareholders of erstwhile Euro Coke & Energy Private Limited.

64,00,000 equity shares to the shareholders of erstwhile JSW Power Limited.

2 The 10% Cumulative Redeemable Preference Shares are redeemable at par in four equal quarterly installments commencing from December 15, 2017.

3 Share Application Money represents amounts received against 80 lacs warrants issued on preferential basis, which can be converted to 80 lacs equity shares at the option of the holders on or before March 22, 2008.

SCHEDULE 2

RESERVES AND SURPLUS:

	As at 31.03.2007	As at 31.03.2006
Securities Premium Account :		
As per last Balance Sheet	**163.09**	13.94
Add : Received on issue of equity shares	**183.41**	149.15
	346.50	163.09
Debenture Redemption Reserve:		
As per last Balance Sheet	**82.19**	99.19
Less: Transferred to Profit and Loss Account	**39.48**	17.00
	42.71	82.19
General Reserve:		
As per last Balance Sheet	**2,282.22**	1,847.89
Add: Pursuant to Schemes of Arrangement and /or Amalgamation	**0.05**	347.90
Add: Transferred from Profit and Loss Account	**129.21**	86.43
	2,411.48	2,282.22
Surplus in Profit and Loss Account	**2,267.56**	1,331.66
Total:	**5,068.25**	3,859.16

	As at 31.03.2007	As at 31.03.2006
		Rupees in crores

SCHEDULE 3
SECURED LOANS

	As at 31.03.2007	As at 31.03.2006
Non-Convertible Debentures (NCDs)		
8% NCDs of Rs. 100 each	**166.61**	301.72
8.5% NCDs of Rs. 10 lacs each	**72.15**	115.00
10% NCDs of Rs. 100 each	**68.01**	160.51
	306.77	577.23
From Banks		
Buyer's Credit (Foreign Currency Loans)	**101.68**	136.35
Rupee Term Loans	**2,574.63**	2,681.71
Foreign Currency Term Loans	**451.11**	352.47
	3,127.42	3,170.53
From Financial Institutions		
Buyer's Credit (Foreign Currency Loans)	**12.55**	38.54
Rupee Term Loans	**44.21**	53.78
	56.76	**92.32**
Working Capital Loans from Banks	**141.55**	218.63
Total:	**3,632.50**	4,058.71

Notes:

1. **Terms of Redemption:**
   (i) The 8% Redeemable Secured NCDs of Rs. 100 each are redeemable in 20 monthly instalments of Rs. 7.92 crores each from 30.04.2007 to 30.11.2008 and last instalment of Rs. 8.27 crores on 30.12.2008.
   (ii) The 8.5% Redeemable Secured NCDs of Rs. 10,00,000 each are redeemable in 37 quartely instalments of Rs. 1.95 crores each from 15.04.2007 to 15.04.2016.
   (iii) The 10% Redeemable Secured NCDs of Rs. 100 each are redeemable in 8 monthly instalments of Rs. 7.71 crores from 30.04.2007 to 30.11.2007and last instalment of Rs. 6.35 crores on 31.12.2007
2. **Details of Security:**
   (a) Buyer's credit (Foreign Currency Loans) are secured by way of Guarantee Assistance by a consortium of Banks/Financial Institutions.
   (b) The said Guarantee Assistance, the 8% NCDs, Buyer's credit from Banks and Financial institutions aggregating to Rs 114.23 crores, Rupee Term Loans from Banks aggregating to Rs. 2,170.98 crores, Rupee Term Loans from financial Institutions aggregating to Rs. 10.53 crores and Foreign Currency Terms Loans from Banks aggregating to Rs 398.54 crores are secured by:
   - pari passu first charge by way of equitable mortgage in respect of immovable properties of Upstream Division situated at Vaddu, Kurekuppe and Toranagallu Villages, in the State of Karnataka and
   - pari passu first charge by way of hypothecation of movable properties of Upstream Division both present and future excluding inventories and book debts.

   (c) The 8% NCDs are also secured by (first charge by way of) legal mortgage on property of Upstream Division situated at Mouje Dhanot, Mehsana in the State of Gujarat.
   (d) The 8.5 % NCDs alongwith Rupee Term Loans from Banks aggregating to Rs. 173.43 crores are secured by:
   - pari passu first charge by way of legal mortgage on a flat situated at Mumbai, in the State of Maharashtra and
   - pari passu first charge by way of equitable mortgage of the Company's immovable properties relating to the 100MW and 130MW Power Plants at Toranagallu village, in the State of Karnataka.

   (e) The 10 % NCDs are secured by :
   - pari passu first charge by way of equitable mortgage in respect of immovable properties of ownstream Division both present and future located at Tarapur and Vasind, in the State of Maharashtra and
   - pari passu first charge by way of hypothecation of movable properties of Downstream Division both present and future excluding inventories and book debts.

   (f) Rupee Term Loans from Banks are secured as under :
   - aggregating to Rs. 41.89 crores by first charge by way of equitable mortgage in respect of all movable and immovable properties of Blast furnace Plant at Toranagallu village, in the State of Karnataka.
   - aggregating to Rs. 63.33 crores by first charge by way of equitable mortgage in respect of all movable and immovable properties of Coke Oven Plant at Toranagallu village, in the State of Karnataka.
   - aggregating to Rs. 125 crores by exclusive first charge by way of equitable mortgage in respect of all movable and immovable properties of Cold Rolling Mill Complex at Toranagallu village, in the State of Karnataka.

   (g) Rupee Term Loans from Financial Institutions aggregating to Rs. 33.68 crores are secured by exclusive first charge by way of hypothecation of Cessna Aircraft.
   (h) Foreign Currency Term Loan from Bank aggregating to Rs. 52.57 crores by way of equitable mortgage in respect of all immovable and movable properties of Downstream Division both present and future located at Tarapur and Vasind, in the State of Maharashtra and by an equitable mortgage on the immovable property of a third party.
   (i) The Working capital loans aggregating to Rs.141.55 crores by :
   - pari passu first charge by way of hypothecation of Stocks of Raw Materials, Finished Goods, Work-in-Process, Consumable Stores and Spares and Book Debts / Receivables of Downstream Division, both present and future and
   - pari passu second charge on movable properties of Downstream Division, both present and future and
   - pledge of 1,10,00,000 equity shares of Jindal Coated Steel Ltd. and 1,20,75,000 equity shares of the Company held by promoters.

   (j) The working capital loans aggregating to Rs. Nil as at 31.03.2007 are secured by:
   - pari passu first charge by way of hypothecation of Stocks of Raw Materials, Finished Goods, Work-in-Process, Consumable Stores and Spares and Book Debts / Receivables of Upstream Division, both present and future and
   - pari passu second charge by way of equitable mortgage of immovable properties of Upstream Division situated at Vaddu, Kurekuppe and Toranagallu villages, in the State of Karnataka.
3. Out of the above Rupee / Foreign Currency Term Loans aggregating to Rs. 197.79 crores and working capital facilities aggregating to Rs 141.55 crores along with interest thereon are personally guaranteed by the Vice Chairman & Managing Director of the Company.

	Rupees in crores	
	As at 31.03.2007	As at 31.03.2006

SCHEDULE 4

UNSECURED LOANS

Long term advances from customers (Repayable within a year Rs.82.28 crores, (Previous year Rs.Nil)	**522.51**	–
Foreign Currency Loans (Repayable within a year Rs.9.01 crores, (Previous year Rs.9.22 crores)	**18.02**	27.66
From Bank (Short Term)	–	9.68
Total:	**540.53**	37.34

SCHEDULE 5

FIXED ASSETS

Rupees in crores

Particulars	Gross Block				Depreciation / Amortisation / Impairment				Net Block	
	As at 01.04.06	Additions/ Transfer	Deductions	As at 31.03.07	As at 01.04.06	For the year	Deductions	As at 31.03.07	As at 31.03.07	As at 31.03.06
Tangibles										
Freehold Land	86.08	-	-	**86.08**	-	18.48	-	**18.48**	**67.60**	86.08
Leasehold Land	9.54	21.92	-	**31.46**	0.11	0.06	-	**0.17**	**31.29**	9.43
Buildings	1,332.26	169.86	1.19	**1,500.93**	203.69	43.89	0.18	**247.40**	**1,253.53**	1,128.57
Plant & Machinery@	6,831.09	1,950.40	23.68	**8,757.81**	1,621.02	427.15	23.20	**2,024.97**	**6,732.84**	5,210.07
Furniture & Fixtures@	23.36	17.41	0.75	**40.02**	9.62	2.93	0.75	**11.80**	**28.22**	13.74
Vehicles & Aircraft	76.17	10.38	2.72	**83.83**	6.13	5.36	0.89	**10.60**	**73.23**	70.04
Intangibles										
Software	9.93	2.70	-	**12.63**	9.88	0.36	-	**10.24**	**2.39**	0.05
Total:	8,368.43	2,172.67	28.34	**10,512.76**	1,850.45	498.23	25.02	**2,323.66**	**8,189.10**	6,517.98
Previous Year	7,520.30	855.57	7.44	**8,368.43**	1,443.91	409.65	3.11	**1,850.45**	**6,517.98**	-
@ Include proportionate share of assets jointly owned:										
- Plant & Machinery	33.21	-	-	**33.21**	9.78	2.48	-	**12.26**	**20.95**	23.43
- Furniture & Fixtures	4.23	-	-	**4.23**	1.77	0.27	-	**2.04**	**2.19**	2.46
Capital Work in Progress (See note B (3) of Schedule 19)									**2,002.93**	1,861.95

Notes:

(1) 'Buildings' include:

(a) Roads not owned by the Company amortised over a period of five years. Gross Block Rs. 3.13 crores (Previous year Rs. 3.13 crores) Net block Rs. 0.91 crores (Previous year Rs. 1.53 crores)

(b) Assets given on operating lease for which documents are yet to be executed pending approvals from Secured Lenders and KSIIDC.Gross Block Rs. 3.08 crores (Previous year Rs. 3.08 crores); net block Rs. 2.72 crores (Previous year Rs. 2.76 crores)

(c) Execution of Conveyence deed in favour of the Company is pending in respect of Building of Gross block Rs 4.21 crores, Net block Rs.3.94 crores)

(d) Cost of shares in Co-operative Housing Societies - Rs. 1,250.

(2) Plant and Machinery amortised over a period of five years include:
- 220KV HT line and Railway track system, assets not owned by the Company. Gross block Rs. 11.59 crores (Previous year Rs.11.59 crores); net block Rs. Nil crores (Previous year Rs. 0.34 crores).

(3) Plant & Machinery includes Foreign Exchange Fluctuations - (Gain) Rs. 4.61 crores (Previous year (gain) Rs. 2.95 crores).

(4) Fixed assets include Borrowing costs of Rs. 84.18 crores (Previous year Rs. 3.29 crores) capitalised during the year.

(5) Additions to Gross Block and Accumulated depreciation in the previous year include transfers under Scheme of Amalgamation.

	Rupees in crores	
	As at 31.03.2007	As at 31.03.2006

SCHEDULE 6

INVESTMENTS

(Unquoted)		
1 **LONG TERM**		
a) **Government Securities National Savings Certificates**		
(Rs. 61,000; Previous year Rs. 61,000)		
(Pledged with Commercial Tax Department)	**0.01**	0.01
b) **Trade:**		
Subsidiary		
JSW Steel (UK) Limited		
600,000 (Previous year Nil) Equity Shares of GBP 1 each fully paid-up	**5.19**	-
JSW Natural Resources Limited		
10,000 (Previous year Nil) Equity Shares of USD 10 each fully paid-up	**0.45**	-
JSW Steel Processing Centres Limited		
5,150,200 (Previous year Nil) Equity Shares of Rs 10 each fully paid-up	**5.15**	-
Others		
JSW Energy (Vijayanagar) Limited		
80,013,000 (Previous year Nil) Equity Shares of Rs 10 each fully paid-up	**80.01**	-
Jindal Praxair Oxygen Company Private Limited (JPOCPL)		
39,520,000 Equity Shares of Rs 10 each fully paid-up	**39.52**	39.52
(Pledged as security in favour of certain Financial Institutions for loans granted to JPOCL)		
4,160,000, 10% Redeemable Preference Shares of Rs. 10 each fully paid-up	**4.16**	4.16
4,200,000, 10% Non Cumulative Non Convertible Redeemable Preference Shares of Rs. 10 each fully paid up	**4.20**	4.20
32,310,000, 0.1% Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 10 each fully paid up	**32.31**	32.31
SICOM Limited	**4.88**	4.88
600,000 Equity Shares of Rs 10 each fully paid-up		
Vijayanagar Minerals Private Limited		
4,000 Equity Shares of Rs 10 each fully paid-up (Rs. 40,000; Previous year Rs. 40,000)	-	-
2 **CURRENT**		
Mutual Funds		
ICICI Prudential Institutional Liquid Plan - Super Institutional	**10.04**	-
10,037,440.420 (Previous year Nil) units of Rs. 10 each		
Templeton India Treasury Manager Super Institutional Plan	**7.02**	-
70,219.284 (Previous year Nil) units of Rs.1,000.25 each		
Total :	**192.94**	**85.08**
Aggregate Book Value - Unquoted Investments	**175.88**	85.08
Aggregate Repurchase Value - Mutual Funds	**17.06**	-

Notes :

1 Units of Mutual Funds purchased and sold during the year:

Name of the Scheme	No. of Units
Birla Cash Plus - Institutional Premium	43,965,356
HDFC Cash Management Fund - Savings Plan	23,528,557
HDFC Liquid Fund - Premium Plan	24,498,611
HSBC - Cash Fund Institutional Plus	25,003,958
Prudential ICICI Institutional Liquid Plan - Super Institutional	40,044,891
ING Vysya - Liquid Fund - Institutional Plan	17,993,647
Kotak Liquid - Institutional Premium Plan	12,280,455
LIC Liquid Mutual Fund	13,663,517
Magnum Institutional Income Savings (SBI) Plan	4,985,382
Principal Cash Management Fund Institutional Premium Plan	15,048,217
Reliance Liquidity Fund	35,027,618
Standard Chartered Liquidity Manager Fund Plus	100,107
Tata Liquid Fund - Super High Investment Plan	53,854
Templeton India Treasury Manager	150,046
UTI Cash Plus - Institutional Plan	245,473

2 Mode of Valuation - Refer note A(4) of Schedule 19.

Rupees in crores

	As at 31.03.2007	As at 31.03.2006

SCHEDULE 7

INVENTORIES

Raw Materials	**611.44**	481.63
Production Consumables and Stores & Spares	**165.73**	141.89
Work-in-Progress	**38.89**	63.45
Semi Finished/Finished Goods	**195.29**	237.26
Total:	**1,011.35**	924.23

Note: Mode of Valuation- Refer note A(6) of Schedule 19.

SCHEDULE 8

SUNDRY DEBTORS

Unsecured Outstanding for a period exceeding six months		
Considered Good	**54.36**	56.50
Considered Doubtful	**11.89**	6.85
Less: Provision for Doubtful debts	**(11.89)**	(6.85)
	54.36	56.50
Other Debts		
Considered Good	**190.80**	184.76
Considered Doubtful	**0.06**	0.01
Less: Provision for Doubtful debts	**(0.06)**	(0.01)
	190.80	184.76
Total:	**245.16**	241.26

Rupees in crores

	As at 31.03.2007	As at 31.03.2006

SCHEDULE 9

CASH AND BANK BALANCES

Cash on hand	**0.24**	0.27
Balances with Scheduled Banks :		
In Current Accounts	**165.72**	55.50
In Margin Money/Term Deposit Accounts	**171.84**	43.10
Total:	**337.80**	98.87

SCHEDULE 10

LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated) Advances recoverable in cash or in kind or for value to be received Advance to Suppliers	**103.38**	140.85
Export benefits receivable/Excise duty refund on exports	**90.95**	328.96
Insurance Claim Receivable (see note B(4) of Schedule 19)	**57.87**	6.21
Advance towards Equity/Preference capital	**17.21**	4.06
Prepayments and Others	**104.21**	46.96
Less: Provision for Doubtful Advances	**(16.06)**	(6.17)
	357.56	520.87
Premises and Other Deposits	**91.76**	81.67
Excise Balances	**93.51**	104.46
Advance Tax and Tax deducted at source (net)	**6.45**	3.30
Minimum alternate tax credit entitlement	-	79.50
Loans to Bodies Corporate	**9.10**	9.10
Less: Provision for Doubtful Loans	**(9.10)**	(9.10)
Total:	**549.28**	789.80

Note: The above includes an advance of Rs.0.22 crores (Previous year Rs.Nil) recoverable from a subsidiary.

SCHEDULE 11

CURRENT LIABILITIES

Acceptances	**1,478.00**	1,027.33
Sundry Creditors (see note B (8) in Schedule 19)	**509.41**	699.27
Advances from Customers	**40.48**	38.04
Interest Accrued but not due on loans	**142.25**	125.59
Other Liabilities	**28.20**	20.18
Investor Education and Protection Fund shall be credited by :		
Unclaimed Debenture Redemption Instalments	**1.80**	3.22
Unclaimed Debenture Interest	**1.79**	1.65
Unclaimed Dividend	**4.70**	3.06
Unclaimed amount of sale proceeds of fractional shares	**3.88**	-
Total:	**2,210.51**	1,918.34

Rupees in crores

	As at 31.03.2007	As at 31.03.2006

SCHEDULE 12

PROVISIONS

Provision for:		
Income Tax (net)	**31.44**	39.00
Wealth Tax (net)	**0.41**	0.75
Fringe Benefit Tax (net)	**0.27**	0.99
Provision for Leave Encashment	**10.46**	8.52
Proposed Dividend on Preference Shares	**27.90**	27.90
Proposed Dividend on Equity Shares	-	125.58
Corporate Dividend Tax	**4.74**	21.53
Total:	**75.22**	224.27

SCHEDULE 13

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
Share and Debenture Issue Expenses	**7.36**	6.19
Deferred Revenue Expenditure	**187.51**	297.85
Total:	**194.87**	304.04

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Rupees in crores

	Year ended 31.03.2007	Year ended 31.03.2006

SCHEDULE 14

OTHER INCOME

Dividend		
on Long Term Investments	**0.06**	0.03
on Current Investments	**0.28**	-
Profit on Sale of Long Term Investments	-	369.20
Profit on Sale of Fixed Assets	**2.59**	0.58
Insurance Claim (see note B(4) of Schedule 19)	**66.14**	0.87
Foreign Exchange Gain (net)	**19.22**	-
Miscellaneous Income	**16.86**	12.28
Total:	**105.15**	382.96

Rupees in crores

	Year ended 31.03.2007	Year ended 31.03.2006

SCHEDULE 15

EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, Wages and Bonus	**154.36**	112.98
Contibution to Provident and Other Funds	**8.52**	7.36
Staff Welfare Expenses	**12.59**	6.70
Total:	**175.47**	127.04

SCHEDULE 16

MATERIALS

Raw Materials Consumed	**3,964.00**	3,119.11
Decrease/(Increase) in Stocks Opening Stock :		
Semi Finished /Finished Goods	**195.06**	106.54
Work-in-progress	**105.65**	54.884
	300.71	161.42
Closing Stock :		
Semi Finished /Finished Goods	**195.29**	195.06
Work-in-progress	**38.88**	105.65
	234.17	300.71
	66.54	(139.29)
Excise duty on stock of Finished Goods (net)	**(0.59)**	8.44
Total:	**4,029.95**	2,988.26

SCHEDULE 17

MANUFACTURING AND OTHER EXPENSES

Rent	**3.07**	2.65
Rates and Taxes	**7.06**	6.07
Insurance	**13.06**	11.21
Power and Fuel	**393.10**	420.19
Stores and Spares consumed	**413.23**	297.14
Carriage and Freight	**469.37**	381.07
Repairs & Maintenance		
Plant & Machinery	**87.84**	72.68
Buildings	**19.93**	14.77
Others	**1.94**	2.29
Commission on Sales	**37.15**	31.82
Donations	**4.43**	1.34
Foreign Exchange Fluctuations (net)	-	25.09
Miscellaneous Expenses	**104.21**	79.25
Provision for Doubtful Debts/Loans/Advances	**15.99**	3.72
Loss on sale of fixed assets	**1.82**	0.44
Total:	**1,572.20**	1,349.73

	Year ended 31.03.2007	Year ended 31.03.2006
		Rupees in crores

SCHEDULE 18

INTEREST AND FINANCE CHARGES (net)

	Year ended 31.03.2007	Year ended 31.03.2006
Interest on :		
Debentures and Fixed Loans	**288.24**	265.40
Others	**93.71**	78.30
Other Finance Charges	**24.86**	24.95
	406.81	368.65
Less: Interest Income	**7.27**	4.69
(Tax deducted at Source Rs. 1.49 crores, (Previous year Rs.1.09 crores)		
Total:	**399.54**	363.96

SCHEDULE 19:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of Accounting**

The accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 1956 (The Act).

2. **Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and differences between actual results and estimates are recognized in the periods in which the results are known/ materialize.

3. **Fixed Assets and Depreciation**

Fixed Assets are stated at their cost of acquisition or construction less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use.

Expenditure incurred during construction period :

Apart from costs related directly to the construction of an asset, indirect expenses incurred up to the date of commencement of commercial production which are incidental and related to construction are capitalized as part of the construction cost. Income, if any, earned during the construction period is deducted from the indirect costs.

Depreciation on assets is provided, prorata for the period of use, by the Straight Line Method (SLM) at the SLM rates prescribed in Schedule XIV to the Act.

Leasehold land is amortized over the period of the lease.

The Company capitalizes software where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over an estimated useful life of 3 to 5 years.

For the purpose of determining the appropriate depreciation rates, plant and machinery falling in the category of continuous process plant has been identified on the basis of technical opinion by the Company.

An asset is considered as impaired in accordance with Accounting Standard (AS) - 28 on “Impairment of Assets” when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds it recoverable amount (i.e. the higher of the assets net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss Account.

4. **Investments**

Investments are classified as current or long-term in accordance with Accounting Standard (AS) - 13 on “Accounting for Investments”.

Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

Long term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of such investments.

5. **Revenue Recognition**

Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.

Revenue from sale of goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of sales tax/Value Added Tax. Export turnover includes related export benefits. The excise duty recovered is presented as a reduction from gross turnover.

6. **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined by the weighted average cost method.

Excise duty related to finished goods is included under Schedule 16 - Materials.

7. **Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard (AS) - 16 on “Borrowing Costs” are capitalized as part of the cost of such asset up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

Interest income earned from deposits is reduced from Interest and Finance charges. (Schedule 18)

8. **Retirement Benefits**

Retirement benefit costs are expensed to revenue as incurred.

The Company contributes to Employees’ Provident Fund and Gratuity Fund in accordance with the rules of the respective funds and/or statute, as applicable. Accruing gratuity and leave encashment liabilities are provided for, according to the rules of these schemes, on the basis of actuarial valuations at year-end made by an independent actuary.

9. **Foreign Currency Transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated into Rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the Profit and Loss Account, except those relating to the acquisition of fixed assets from countries outside India, which are adjusted to the carrying cost of the related fixed asset. Non-monetary items such as investments are carried at historical cost using the exchange rates on the date of the transaction.

In the case of forward contracts (for hedging purposes) the premium or discount arising at inception is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.

10. Income Tax

Income taxes are accounted for in accordance with Accounting Standard (AS) - 22 on "Accounting for Taxes on Income". Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/recovered from the revenue authorities, using the applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on ìAccounting for Fringe Benefits Taxî issued by the ICAI garded as an additional income tax and considered in determination of profits for the year. Tax on distributed profits payable in accordance with the provisions of section 115O of the Income Tax Act, 1961 is in accordance with the Guidance Note on ìAccounting for Corporate Dividend Taxî regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

11. Earnings Per Share

The Company reports basic and diluted Earnings per share (EPS) in accordance with Accounting Standard (AS) -20 on "Earnings per Share". Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

12. Operating Leases

Operating lease receipts and payments are recognized as income or expense in the Profit and Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

13. Cash Flow Statement

The Cash Flow Statement is prepared by the "Indirect Method" set out in Accounting Standard (AS) - 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

14. Contingent Liabilities

Contingent liabilities as defined in Accounting Standard (AS) -29 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Provision is made if it is probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

15. Miscellaneous Expenditure

Miscellaneous expenditure is written off to the Profit and Loss Account over a period of up to ten years depending upon the nature and expected future benefit of such expenditure. The management

reviews the amortization period on a regular basis and if expected future benefits from such expenditure are significantly lower from previous estimates, the amortization period is accordingly changed (See note B (10)).

B. NOTES TO ACCOUNTS :

1. Contingent Liabilities not provided for in respect of :
   a) Bills Discounted Rs. 749.76 crores (Previous year Rs. 313.68 crores).
   b) Corporate Guarantee given to bank against credit facility extended to a Company Rs.62 crores (Previous year Nil)
   c) Disputed statutory claims/levies including those pending in courts (excluding interest leviable, if any), in respect of:
      (i) Excise Duty Rs. 22.33 crores (Previous year Rs. 81.08 crores) net of possible reimbursement Rs. Nil (Previous year Rs.25.43 crores);
      (ii) Custom Duty Rs.99.05 crores (Previous year Rs. 99.05 crores);
      (iii) Income Tax Rs. 36.28 crores (Previous year Rs. 37.73 crores);
      (iv) Sales Tax / Special Entry tax Rs. 0.29 crores (Previous year Rs. 14.23 crores);
      (v) Service Tax Rs. 3.40 crores (Previous year Rs. 0.12 crores)
      (vi) Miscellaneous Rs.0.24 crores (Previous year Rs. 0.24 crores) and
      (vii) Levies by local authorities Rs. 12.49 crores (Previous year Rs. 12.49 crores).
   d) Claims by Suppliers and other third parties Rs. 347.33 crores (gross) (Previous year Rs. 203.61 crores) Rs. 101.35 crores (net) (Previous year Rs. 2.52 crores) of counter claims as stated below.

      The Company has made counter claims / has a right to recover monies in the event of claims crystallising.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 4,029.20 crores (Previous year Rs. 1,300.25 crores).
3. **Capital Work-in-Progress comprises:**

Rupees in crores

		Current Year	Previous Year
a)	Buildings, Plant & Machinery etc.,	**1,273.66**	1,605.53
b)	Capital Advances	**732.54**	224.05
	Less: Provision for doubtful advances	**86.71**	86.71
	Net Capital Advances - (unsecured and considered good)	**645.83**	137.34
c)	Pre-operative Expenses (pending allocation)		
	Opening Balance	**119.08**	8.75
	Add: Transferred under the Scheme of Amalgamation	-	22.77
	Raw Materials Consumed	**176.22**	-
	Rent	**0.04**	-
	Power and fuel	**0.46**	17.85
	Stores & Spares	**7.24**	-
	Salaries, wages and bonus	**12.65**	7.32
	Contribution to Provident fund etc.	**0.40**	0.25
	Staff Welfare Expenses	**0.33**	-
	Rates & Taxes	-	0.06
	Insurance	**2.26**	1.77

	Current Year	Previous Year
		Rupees in crores
Repairs & Maintenance		
Plant & Machinery	**1.15**	1.09
Exchange difference	**50.02**	0.23
Miscellaneous Expenses	**13.84**	16.40
Interest on Fixed Loans & Debentures	**32.69**	29.22
Interest - Others	**25.65**	-
Finance Charges	**13.33**	41.90
	455.36	147.61
Less : Self consumption of trial run production	**183.75**	13.32
Interest Income	**2.88**	0.41
Dividend from Short term Investment	**0.13**	-
Allocated to Fixed Asset /Capital Work-in-Progress	**180.81**	12.78
Transferred on sale	**4.35**	-
Unamortised borrowing cost transferred to Deferred Revenue Expenditure	-	2.02
Balance carried forward	**83.44**	119.08
Total (a+b+c)	**2,002.93**	1,861.95

4. On February 15, 2007, there was a major fire at one of the furnaces at the Vijayanagar plant. The Company has incurred Rs. 11.56 crores upto 31.03.2007 on repairs of the said furnace and has claimed the amount from the insurance company under its fire insurance policy. The Company has also estimated a claim of Rs. 56.25 crores upto 31.03.2007 under its Loss of Profit policy based on a letter from the insurance company confirming admissibility of the claim and included the amount in Other income in the Profit and Loss Account. The Company has received on account payments aggregating to Rs. 10 crores upto 31.03.2007 against the claims made. The ultimate settlement of the claims is dependent on submission of relevant documents as may be procedurally required and Processing by the Insurance Company.

Rupees in crores

		Current Year	Previous Year
5.	**Details of utilization of funds received on preferential allotment of equity shares:**		
	Net issue proceeds	**212.16**	-
	Less: Utilised for debt reduction and to meet the capital expenditure / general corporate purposes	**212.16**	-
	Balance	-	-
6.	**a) Managerial Remuneration :**		
	Salary	**2.93**	2.68
	Perquisites	**2.07**	1.71
	Contribution to Provident Fund	**0.35**	0.36
	Commission to Vice-chairman & Managing Director	**9.73**	4.74
	Director's sitting fees	**0.13**	0.14
	Commission to Non-executive Directors	**1.07**	1.19
	Total:	**16.28**	**10.82**

Note:

The above figures exclude provision for leave encashment and contribution to the approved Group Gratuity Fund, which are actuarially determined for the Company as a whole.

b) **Computation of Net Profit in accordance with Section 349 read with Section 309(5) of the Companies Act, 1956:**

Rupees in crores

	Current Year	Previous Year
Profit Before Taxation	**1,915.18**	1,301.89
Add: Managerial Remuneration (including commission)	**16.28**	10.82
Provision for Doubtful debts / advances	**15.99**	3.72
Loss on Sales of Fixed Assets	**1.82**	0.44
	1,949.27	1,316.87
Less: Profit on sale of Long Term Investments	--	369.20
Profit on sale of Undertaking/ Fixed Assets	**2.59**	0.58
Net Profit as per Section 349 read with Section 309(5)	**1,946.68**	947.09
Commission Payable to:		
- Vice Chairman & Managing Director @ 0.5% of Net Profit as computed above	**9.73**	4.74
- Non-executive Directors	**1.07**	1.19

7. **Remuneration to Auditors:**

Rupees in crores

	Current Year	Previous Year
As Audit Fees	**0.48**	0.36
For Tax Audit Fees	**0.05**	0.07
For Limited Review Fees	**0.19**	0.12
For Certification & other Services	**0.08**	0.28
Out of Pocket Expenses	**0.02**	0.02
Total:	**0.82**	0.85

8. a) Sundry creditors include amounts due to a small-scale industrial undertakings - Rs.0.79 crores (Previous year Rs. 0.98 crore) as identified by the management.

Creditors include the following Small Scale / Ancillary Industrial Undertakings to whom mounts are due for more than 30 days:

Castwel Inds., Knoop Marketing, Hi-Tech Industries, Arudra Engg. Pvt. Ltd., Manisha Enterprises, Khanna Enterprises, Panchsheel Water Proof, Rateria Laminators Pvt. Ltd., Well Products Industries Ltd., Flexituff Inds., Maxim Adhesives Tape Pvt. Ltd., Reliable Electricals, Abha International.

The above is based on the details available with the Company regarding the status of supplier as defined under the Industries (Development and Regulation) Act, 1951 and the Interest on Delayed Payment to Small Scale Ancillary Industrial Undertaking Act, 1993.

b) The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

9. Disclosure regarding Derivative Instruments:

I) The Company has entered into the following derivative instruments:

a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy.

The following are the outstanding Forward Exchange Contracts entered into by the Company:

As at	No. of Contracts	Type	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	5	Buy	23.37	101.88
	43	Sell	154.79	674.74
31.03.2006	22	Buy	138.22	616.60
	7	Sell	25.61	114.26

b) The Company also uses derivative contracts other than forward contracts to hedge the interest rate and currency risk on its capital account. Such transactions are governed by the strategy approved by the Board of Directors, which provide principles on the use of these instruments, consistent with the Company's Risk Management Policy. The Company does not use these contracts for speculative purposes.

i) Interest Rate Swaps to hedge against fluctuations in interest rate changes

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	7	36.67	159.83
31.03.2006	5	30.00	133.83

ii) Currency Swap to hedge against fluctuations in changes in exchange rate and Interest Rate

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	11	47.00	204.87
31.03.2006	2	11.02	49.16

iii) Currency options to hedge against fluctuations in changes in exchange rate

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	3	22.07	96.20
31.03.2006	11	12.23	54.56

II) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amounts receivable in foreign currency on account of the following:

	Current Year		Previous Year	
	US$ equivalent (Million)	INR equivalent (Crores)	US$ equivalent (Million)	INR equivalent (Crores)
Sale of goods	7.98	34.80	1.53	68.33
Fixed Deposit	20.32	88.59	-	-
Interest receivable	0.18	0.80	-	-

b) Amounts payable in foreign currency on account of the following:

	Current Year		Previous Year	
	US$ equivalent (Million)	INR equivalent (Crores)	US$ equivalent (Million)	INR equivalent (Crores)
Acceptances	315.28	1,376.12	230.29	1,027.33
Interest payable	2.68	11.68	0.97	4.31
Loans payable	184.63	804.80	101.16	451.29

10. During the year, the Company has, consequent to a review of the amortization period relating to Miscellaneous Expenditure, additionally charged off Rs. 48.43 crores to the Profit and Loss Account.

11. **Segment Reporting:**

i) Revenue, Results and other information

Rupees in crores

	Current Year			Previous Year		
Particulars	**Steel**	**Power**	**Total**	Steel	Power	Total
Revenue						
External Sales	**8,588.45**	**5.99**	**8,594.44**	6,211.10	4.43	6,215.53
Inter Segment						
Adjustment	**150.75**	**449.04**		97.10	309.61	
Total Revenue	**8,739.20**	**455.03**	**8,594.44**	6,308.20	314.04	6,215.53
Results						
Segment/OperatingResults						
Un-allocated Income	**2,041.30**	**273.08**	**2,314.38**	1,469.06	196.76	1,665.82
			0.34			0.03
Interest Expenses			**(399.54)**			(363.96)
Provision for Taxation			**(623.18)**			(445.36)
Net Profit			**1,292.00**			856.53
Other Information						
Segment Assets	**12,373.96**	**490.19**	**12,864.15**	10,584.65	444.92	11,029.57
Un-allocated Assets			**6.45**			3.30
Total Assets			**12,870.60**			11,032.87
Segment Liabilities	**2,208.91**	**1.60**	**2,210.51**	1,899.20	19.14	1,918.34
Un-allocated Liabilities & Provisions			**4,248.25**			4,320.32
Total Liabilities			**6,458.76**			6,238.66
Depreciation	**482.22**	**16.01**	**498.23**	396.97	8.85	405.82
Total Cash incurred						
during the year to acquire						
Segment Assets	**2,371.81**	**34.29**	**2,406.10**	1,450.57	178.48	1,629.0
Non cash expenses						
other than Depreciation	**108.66**	**0.36**	**109.02**	61.59	0.20	61.79

ii) The Secondary segment is based on geographical demarcation i.e. India and Outside India. The secondary segment revenue are as under :

Rupees in crores

	Current Year	Previous Year
India	**5,000.80**	3,873.42
Outside India	**3,593.64**	2,337.11

12. **Related parties disclosure as per Accounting Standard (AS) - 18**

a) **List of Related Parties:**

Parties with whom the Company has entered into transactions during the year:

1) **Subsidiaries:**

JSW Steel (UK) Limited

JSW Natural Resources Limited

JSW Steel Processing Centres Limited

2) **Associates:**

Jindal Praxair Oxygen Company Private Limited

JSW Energy Limited

Vijayanagar Minerals Private Limited

Nalwa Sons Investments Limited

Jindal Stainless Limited

Jindal Steel & Alloys Limited

Jindal Saw Limited

Jindal Steel & Power Limited

Southern Iron & Steel Company Limited

South West Port Limited

Jindal South West Holdings Limited

Jindal Industries Limited

JSW Investments Private Limited (Formerly Samarth Holdings Pvt. Limited)

JSW Energy (Vijayanagar) Limited

3) **Key Management Personnel:**

Mrs. Savitri Devi Jindal

Mr. Sajjan Jindal

Dr. B.N.Singh

Mr. Seshagiri Rao M.V.S.

Mr. Raman Madhok (resigned w.e.f. 07.11.2005)

4) **Relatives of Key Management Personnel:**

Mr. Naveen Jindal

Mrs. Nirmala Goel

Mr. P. R. Jindal

b) **Transactions with related parties:**

Rupees in crores

	Current Year	Previous Year
Purchase of Goods/Power & Fuel/Services		
South West Port Limited	**63.75**	41.84
Jindal Praxair Oxygen Company Private Limited	**240.05**	312.06
Others	**51.68**	85.21
Total	**355.48**	**439.11**

Rupees in crores

	Current Year	Previous Year
Sales of Goods/Power & Fuel/ Services		
JSW Energy Limited	**262.05**	252.41
Southern Iron & Steel Company Limited	**115.74**	57.36
Jindal Industries Limited	**84.17**	51.83
Jindal Saw Limited	**8.52**	167.75
Others	**24.66**	13.22
Total	**495.14**	542.57
Purchase of Assets		
Southern Iron & Steel Company Limited	**70.28**	20.09
Jindal Steel & Power Limited	**50.84**	43.20
Jindal Saw Limited	**1.11**	7.37
Others	**0.56**	3.00
Total	**122.79**	73.66
Sale of Assets		
Southern Iron & Steel Company Limited	34.23	-
Sale of Investments		
JSW Investments Private Limited	-	513.70
Deposit given against Leased Assets		
Southern Iron & Steel Company Limited	-	0.28
Investments Made		
JSW Energy (Vijayanagar) Limited	80.01	-
JSW Steel (UK) Limited	5.19	-
JSW Natural Resources Limited	0.45	-
JSW Steel Processing Centres LimitedTotal	5.15	-
Total	**90.80**	-
Issue of Equity Shares including Securities Premium and Share Application Money		
Southern Iron & Steel Company Limited	-	28.50
JSW Energy Limited	-	21.45
Jindal South West Holdings Limited	-	52.43
JSW Investments Private Limited	**194.48**	-
Mr. Sajjan Jindal	**17.68**	
Others	-	17.72
Total	**212.16**	120.10
Remuneration to Key Managerial Personnel		
Mrs. Savitri Devi Jindal	**0.08**	0.08
Mr. Sajjan Jindal	**13.25**	7.47
Dr. B.N. Singh	**1.03**	0.73
Mr. Seshagiri Rao M.V.S.	**0.80**	0.48
Mr. Raman Madhok	-	0.81
Total	**15.16**	9.57

c) **Closing balances of related parties**

Rupees in crores

	As at 31.03.2007	As at 31.03.2006
Trade Payables:		
Jindal Praxair Oxygen Company Private Limited	**71.98**	66.15
South West Port Limited	**3.92**	8.33
Others	**1.18**	5.64
Total	**77.08**	80.12
Advance from Customers		
Jindal Steel & Power Limited	**0.29**	-
Lease Deposit:		
Jindal Praxair Oxygen Company Private Limited	**3.83**	3.83
JSW Energy Limited	**6.49**	6.49
Total	**10.32**	10.32
Trade Receivables		
JSW Energy Limited	**23.91**	12.07
Southern Iron & Steel Company Limited	**34.32**	13.03
Jindal Industries Limited	**1.60**	0.23
Others	**51.12**	47.38
Total	**110.95**	72.71
Capital Advances		
Jindal Steel & Power Limited	**25.43**	0.05
Advance against Equity		
Vijayanagar Minerals Private Limited	**4.06**	4.06
Other Advances		
Jindal Saw Limited	**0.07**	0.51
Southern Iron & Steel Company Limited	**3.01**	-
Jindal Steel & Power Limited	**8.86**	-
JSW Steel Processing Centres Limited	**0.22**	-
Others	**12.41**	15.48
Total	**24.57**	15.99
Other Current Assets		
JSW Investments Private Limited	**312.82**	513.70
Southern Iron & Steel Company Limited	**29.22**	-
Total	**342.04**	513.70
Share Application Money		
JSW Investments Private Limited	**17.68**	-
Mr. Sajjan Jindal	**4.08**	-
Total	**21.76**	-
Investments Held		
Jindal Praxair Oxygen Company Private Limited	**80.19**	80.19
Vijayanagar Minerals Private Limited	@	@
JSW Energy (Vijayanagar) Limited	**80.01**	-
JSW Steel (UK) Limited	**5.18**	-
JSW Natural Resources Limited	**0.44**	-
JSW Steel Processing Centres Limited	**5.15**	-
Total	**170.97**	80.19

Rupees in crores

	As at 31.03.2007	As at 31.03.2006
Guarantees and collaterals provided by the Company		
Jindal Praxair Oxygen Company Private Limited	**39.52**	39.52
Southern Iron & Steel Company Limited	**62.00**	-
Total	**101.52**	39.52

Notes:

i. @ Less Than Rs. 100,000.

ii. Related party relationships have been identified by the management and relied upon by the auditors.

13. **Operating Lease:**

a) As Lessor:

i The Company has entered into a lease arrangement, for renting out 2,279 houses (admeasuring approximately 1,410,997 square feet) at the rate of Rs 100/- per house per annum and 175 houses (admeasuring approximately 93,631 square feet) at the rate of Rs. 24/- per square feet per annum, for a period of 60 months ("the term") from the beginning of the current financial year and is renewable at the option of the lessee after the end of the term.

ii. Future minimum lease rental is receivable under operating lease for each of the following periods as under:

Rupees in crores

Particulars	Current Year	Previous Year
Not later than1 year	**0.24**	-
Later than 1 year to 5 years	**0.74**	-
Later than 5 years	-	-
Total	**0.98**	-

iii. Disclosure of depreciation on assets given on lease during the year:

Rupees in crores

Particulars	Current Year	Previous Year
Gross carrying amount of assets	**100.22**	-
Accumulated Depreciation	**6.86**	-
WDV of the leased assets	**93.36**	-
Depreciation for the year	**1.10**	-

b) **As Lessee:**

i. Future Minimum sub-lease payments expected to be received under non cancellable sub-lease Rs. 2.08 crores (Previous Year Rs. Nil).

ii. Lease Rental charged to revenue for right to use following assets are:

Rupees in crores

Particulars	Current Year	Previous Year
Cold Rolling Steel Undertaking	**6.00**	6.00
Office Premises, Residential Flats etc.	**3.07**	2.65
Total	**9.07**	8.65

The agreements are executed for a period of 11 to 60 months with a renewable clause and also provides for termination at will by other party giving a prior notice period of 1 to 3 months.

iii. Sub-lease payments recognised in the statement of Profit and Loss Account Rs. 0.52 crores (Previous year - Rs. Nil).

14. The computation of Earnings per Share:

Particulars		Current Year	Previous Year
Profit after Tax	Rs. in Crs.	**1,292.00**	856.53
Less: Dividend on preference shares (Including corporate dividend tax)	Rs. in Crs.	**32.65**	31.82
Profit after tax for Equity share holders (Numerator)	Rs. in Crs.	**1,259.35**	824.71
Earning per share - Basic	Rs.	**80.11**	55.57
Earning per share - Diluted	Rs.	**78.88**	55.57
Nominal value per share	Rs.	**10**	10
Weighted average number of equity shares for Basic EPS (denominator)	Nos.	**157208820**	148417690
Weighted average number of equity shares for Diluted EPS (denominator)	Nos.	**159661527**	148417690

15. a) Provision for Taxation includes:

Rupees in crores

Particulars	Current Year	Previous Year
Current Tax	**364.00**	79.50
Deferred Tax	**270.63**	433.61
Fringe Benefit Tax	**4.35**	3.24
Wealth Tax	**0.35**	0.75
Minimum Alternate Tax Credit Entitlement	-	(79.50)
Tax adjustment of earlier years	**(16.15)**	7.76
Total	**623.18**	445.36

b) **Deferred Tax Asset/(Liability) comprises timing differences on account of:**

Depreciation	**(1,130.09)**	(898.55)
Expenses allowable on payment basis	**38.87**	36.33
Provision for doubtful debts/ capital advances	**38.80**	33.35
Unabsorbed Depreciation	-	63.09
Others	**39.76**	23.75
Deferred Tax Asset / (Liability)	**(1,012.66)**	**(742.03)**

16. The Company has the following Joint Venture as at 31st March 2007 and its percentage of holding is given below:

Vijayanagar Minerals Private Limited: 40%

The proportionate share of assets, liabilities, income and expenditure of the above joint venture company is given below:

Rupees in crores

Particulars	Current Year	Previous Year
I Assets		
Fixed Assets (Including CWIP)	**0.39**	0.36
Deferred Tax Assets	**0.13**	0.14
Current Assets, Loans and Advances		
- Inventories	**0.72**	0.45
- Sundry Debtors	**0.80**	0.75
- Cash and Bank Balances	**0.49**	0.90
- Other Current Assets	-	0.13
- Loans and Advances	**0.62**	0.18
Miscellaneous Expenditure (to the extent not written off or adjusted)	**1.61**	0.26

Rupees in crores

Particulars	Current Year	Previous Year
II Liabilities		
Secured Loans	**2.00**	-
Current Liabilities and Provisions		
- Liabilities	**1.43**	1.92
- Provisions	**0.06**	0.03
III Income		
Sale	**8.86**	8.51
Other Income	-	0.01
IV Expenses		
Direct and Operating Expenses	**6.36**	5.74
Selling and Distribution Expenses	**1.07**	1.22
Administrative Expenses	**0.49**	0.50
Finance and Tax Expenses	**0.05**	0.02
Other Expenses	**0.08**	0.05
Depreciation	**0.06**	0.04
Miscellaneous Expenditure written off	**0.66**	0.38
Tax Expenses		
- Current Tax	**0.06**	0.23
- Deferred Tax	**0.01**	0.07
V Other Matters		
Contingent Liabilities	**45.38**	
Capital Commitment	-	1.40

The above balances and amounts are based on the financial information/estimates made by the management.

17. Additional Information Pursuant to Part-II of Schedule VI to the Companies Act, 1956:

A. Licensed and Installed Capacities and Production:

Class of Products	Installed capacity Tonnes	Production Tonnes
1 M S Slabs	**3800000**	2652181
	(2500000)	(2250337)
2 Hot Rolled Coils/Steel Plates/Sheets	**2500000**	2154568
	(2000000)	(2147850)
3 Hot Rolled Steel Plates	**280000**	182278
	(280000)	(86259)
4 Cold Rolled Coils/Sheets	**1000000**	770008
	(1000000)	(844576)
5 Galvanized Coils/Sheets	**900000**	713682
	(900000)	(782226)
6 Colour Coating Coils/Sheets	**100000**	51704
	(100000)	(12153)

Notes:

1. Licensed capacity is not applicable in view of the Company's products having been delicensed as per the licensing policy of the Government of India.
2. Installed capacity is as certified by the management and accepted by auditors, being a technical matter.

B. Sales, Closing and Opening Stocks:

Class of Products	Sales Tonnes	Sales Rupees in crores	Closing Stocks Tonnes	Closing Stocks Rupees in crores	Opening Stocks Tonnes	Opening Stocks Rupees in crores
1 M S Slabs	**354583**	**731.80**	**3425**	**7.15**	**27593**	**42.20**
	(-)	(-)	(27593)	(42.20)	(13904)	(23.43)
2 Hot Rolled Coils/Steel	**1386879**	**4168.36**	**32398**	**57.96**	**54056**	**94.47**
Plates/Sheets	(1189307)	(3050.63)	(54056)	(94.47)	(20165)	(39.51)
3 Galvanized Coils/Sheets	**657766**	**2742.07**	**20956**	**63.11**	**20562**	**54.58**
	(761960)	(2476.32)	(20562)	(54.58)	(16045)	(41.86)
4 Cold Rolled Coils/Sheets	**74864**	**246.43**	**3917**	**8.24**	**5432**	**10.73**
	(84424)	(264.92)	(5432)	(10.73)	(4023)	(8.56)
5 Hot Rolled Steel Plates	**151218**	**461.61**	**11916**	**29.03**	**8597**	**19.10**
	(74455)	(208.37)	(8597)	(19.10)	(2117)	(4.83)
6 Colour Coating	**48032**	**246.77**	**3463**	**13.24**	**1696**	**6.40**
Coils/Sheets	(8227)	(34.07)	(1696)	(6.40)	(--)	(--)
7 Others		**740.30**		**16.56**		**9.78**
		(767.21)		(9.78)		(11.78)
Total:		**9337.34**		**195.29**		**237.26**
		(6801.52)		(237.26)		(129.97)

C. Consumption of Materials:

Description	Current Year Quantity Tonnes	Current Year Rupees in crores	Previous Year Quantity Tonnes	Previous Year Rupees in crores
Iron ore lumps/fines	**5458039**	**630.47**	4672179	413.91
Scrap	**24156**	**23.90**	48691	75.90
Coal/Coke	**3709241**	**2,190.21**	3207242	1,936.09
Hot Rolled Coils	**80633**	**174.10**	--	--
M S Slabs	**78365**	**145.26**	38732	71.75
Cold Rolled Coils	**1711**	**4.48**	--	-
Zinc & Alloys	**29220**	**490.97**	39337	323.11
Others		**453.59**		366.30
Total:		**4,112.98**		3,194.12
Less: Self consumption		**148.98**		75.01
Total:		**3,964.00**		3,119.11

D. Value of Consumption of directly Imported andIndigenous obtained Raw Materials and Stores and Spares and the percentage of each to total

Description	Current Year Value Rupees in crores	Current Year % of Total Value	Previous Year Value Rupees in crores	Previous Year % of Total Value
Raw Materials				
Imported	**2938.20**	**74.12**	2247.33	72.05
Indigenous	**1025.80**	**25.88**	871.78	27.95
Total:	**3964.00**	**100.00**	3119.11	100.00
Stores and Spares				
Imported	**43.22**	**10.46**	26.06	8.77
Indigenous	**370.01**	**89.54**	271.08	91.23
Total:	**413.23**	**100.00**	297.14	100.00

E. C.I.F. Value of Imports:

Rupees in crores

Description	Current Year	Previous Year
- Capital Goods	**384.33**	254.02
- Raw Materials	**2,653.15**	2,034.94
- Stores & Spare Parts & Production Consumables	**67.96**	50.44

F. Expenditure in Foreign Currency:

Rupees in crores

Description	Current Year	Previous Year
Interest and Finance charges	97.44	27.87
Ocean Freight	146.59	73.23
Commission on sales	31.23	28.06
Others	11.28	1.49

G. Earnings in Foreign Currency:

Rupees in crores

Description	Current Year	Previous Year
F.O.B. Value of Exports	3,316.33	2,049.48

H. Remittance in Foreign Currency on account of Dividend:

Description		Current Year	Previous Year
Year to which the Dividend relates	2005-06	2006-07	2004-05
Number of Non-resident Shareholders	6014	5175	8595
Number of Equity Shares held by them	16122379	16046498	12048495
Amount remitted (Rs. in crores)	12.90	20.06	6.02

18. The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Lenders are subject to confirmation/reconciliation and adjustments, if any.

19. Previous year's figures have been regrouped / rearranged / recast wherever necessary, to conform with current year's presentation.

For and on behalf of the Board of Directors
SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

LANCY VARGHESE
Company Secretary

Place: Mumbai
Dated: April 30, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration No. 152925**	**State Code 11**
	Balance Sheet Date	31.03.2007
II.	**Capital raised during the year (Amount Rs. in thousands):**	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	70,000
	Others	Nil
III.	**Position of Mobilisation and Deployment of Funds (Amount Rs. in thousands):**	
	Total Liabilities	13,06,54,680
	Total Assets	13,06,54,680
	Sources of Funds	
	Paid up Capital	50,40,485
	Share Application Money	2,17,600
	Reserves and Surplus	5,06,82,415
	Secured Loans	3,63,25,089
	Unsecured Loans	54,05,301
	Net Deferred Tax Liability	1,01,26,600
	Application of Funds	
	Net Fixed Assets	10,19,20,383
	Investments	19,29,351
	Net Current Assets	19,99,119
	Miscellaneous Expenditure	19,48,637
	Accumulated Losses	Nil
IV.	**Performance of Company (Amount Rs. in thousands):**	
	Turnover	9,44,24,759
	Total Expenditure	7,52,72,974
	Profit/(Loss) before Tax	1,91,51,785
	Profit/(Loss) after Tax	1,29,20,021
	Earning per share in Rs. (Basic)	80.11
	Earning per share in Rs. (Diluted)	78.88
	Dividend Rate (%)	125%
V.	**Generic Names of Three Principal Products/Services of Company (as per monetary terms)**	
	Item Code No. (ITC Code)	72.08
	Product Description	Hot Rolled Steel Strips /Sheets/Plates
	Item Code No. (ITC Code)	72.09
	Product Description	MS Cold Rolled Coils/Sheets
	Item Code No. (ITC Code)	72.10
	Product Description	MS Galvanised Plain / Corrugated / Colour coated Coils/Sheet
	Item Code No. (ITC Code)	N.A.
	Product Description	Power

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

Place : Mumbai
Dated : April 30, 2007

LANCY VARGHESE
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956 related to Subsidiary Companies

Sr. No.	Name of the Subsidiary	JSW Steel (UK) Ltd.	JSW Natural Resources Ltd.	JSW Steel Processing Centres Ltd.
1.	Financial Year of the Subsidiary ended on	31st March 2007	31st March 2007	31st March 2007
2.	Shares of the subsidiary held by the Company on the above date			
	(a) Number Face Value	6,00,000 Equity shares of GBP 1 each	10,000 Equity shares of USD 10 each	51,50,200 Equity shares of Rs. 10 each
	(b) Extent of holding	100%	100%	100%
3.	Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern memebrs of the Company:			
	(a) dealt with in the accounts of the Company for the year ended 31st March 2007 (Rupees in crores)	(0.08)	(0.03)	Nil
	(b) not dealt with in the accounts of the Company for the year ended 31st March 2007	Nil	Nil	Nil
4.	Net aggregate amount of profits/(losses) of the subsidiary since it bacame a subsidiary so far as they concern memebrs of the Company:			
	(a) dealt with in the accounts of the Company for the year ended 31st March 2007 (Rupees in crores)	(0.08)	(0.03)	Nil
	(b) not dealt with in the accounts of the Company for the year ended 31st March 2007	Nil	Nil	Nil

Notes:

(a) Converted at the average rate of exchange of GBP = Rs.86.39 and US$ = Rs.44.31 as on 31st March, 2007.

(b) Previous year's figures have not been given since the above companies have become subsidiaries of the Company during the current year.

Summary of Financial Information of Subsidiary Companies

Rupees in crores

Name of the Subsidiary	JSW Steel (UK) Limited	JSW Natural Resources Limited	JSW Steel Processing Centres Limited
Funds Employed:			
A. Capital	5.10	0.45	5.15
B. Reserves	-	(0.04)	-
C. Liabilities			
Secured Loans	-	-	-
Unsecured Loans	-	-	-
Deferred Tax Liability	-	-	-
Minority Interest	-	-	-
Total Liabilities	-	-	-
D. Total Funds Employed	**5.10**	**0.41**	**5.15**
Application of Funds:			
E. Assets			
Net Block (Including Capital WIP)	4.54	-	4.99
Investments	-	-	-
Net Current Assets	0.56	0.41	0.12
Miscellaneous Expenditure (to the extent not written off)	-	-	0.04
Total Assets (Net)	**5.10**	**0.41**	**5.15**
F. Turnover	-	-	-
G. Profit before Taxes	(0.08)	(0.03)	-
H. Provision for Taxation	-	-	-
I. Profit after Taxes	(0.08)	(0.03)	-
J. Proposed Dividend	-	-	-

Auditors' Report on the Consolidated Financial Statements

To

The Board of Directors
JSW Steel Limited

1. We have audited the attached Consolidated Balance Sheet of JSW Steel Limited (the Company) and its components (subsidiary, associate and joint venture companies), collectively the Group as at 31 March 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance 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. We did not audit the financial statements of the components:
   (a) The subsidiary companies whose financial statements reflect the Group's share of total assets of Rs. 10.98 crores as at 31 March 2007, total revenues Rs. Nil, and total cash flows of Rs. 1.14 crores for the year ended 31 March 2007 and of the associate which reflect the Group's share of profits up to and for the year ended 31st March 2007 of Rs. Nil have been audited by other auditors whose reports have been furnished to us by the Company's management and our opinion is based solely on the reports of the other auditors.
   (b) The joint venture company whose financial statements reflect the Group's share of total assets of Rs. 4.76 crores as at 31 March 2007, total revenues of Rs. 8.86 crores and total cash flows of Rs. (0.40) crores for the year ended 31 March 2007 and the associate company whose financial statements reflect the Group's share of profits for the year ended 31 March 2007 of Rs. 12.00 crores and the Group's share of profit up to 31 March 2007 of Rs. 62.85 crores are unaudited and as certified by the management on which we have relied for the purposes of our examination of the consolidated financial statements, (reference is invited Note no. A of Schedule 19).
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", Accounting Standard (AS) - 23, "Accounting for Investments in Associates in Consolidated "Financial Statements" and Accounting Standard (AS) - 27, 'Financial Reporting of interests in Joint Ventures' issued by the Institute of Chartered Accountants of India.
5. Subject to the matter referred to in paragraph 3(b) above, based on the information and explanations given to us and on consideration of reports of other auditors on separate financial statements of the subsidiary and associate companies and the unaudited financial statements as certified by management of the joint venture and associate companies, we are of the opinion that 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 consolidated state of affairs of the Group as at 31 March 2007;
   (b) in the case of the Consolidated Profit and Loss account, of the consolidated profit for the year ended on that date; and
   (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No. 40005

Place : Mumbai
Date : April 30, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	Rupees in crores As at 31.03.2007
SOURCES OF FUNDS		
Shareholders' Funds :		
Share Capital	1	525.80
Reserves and Surplus	2	5,133.02
		5,658.82
Loan Funds :		
Secured Loans	3	3,632.50
Unsecured Loans	4	540.53
		4,173.03
Deferred Tax Liability - Net		1,012.53
	Total:	10,844.38
APPLICATION OF FUNDS		
Fixed Assets :	5	
Gross Block		10,513.39
Less: Depreciation		2,323.90
Net Block		8,189.49
Capital Work-in-Progress		2,012.47
		10,201.96
Investments	6	245.00
Goodwill on Consolidation		3.91
Current Assets, Loans and Advances :		
Inventories	7	1,012.11
Sundry Debtors	8	245.96
Cash and Bank Balances	9	339.46
Loans and Advances	10	546.24
Other Current Assets		342.04
		2,485.81
Less: Current Liabilities and Provisions:		
Liabilities	11	2,212.03
Provisions	12	75.28
		2,287.31
Net Current Assets		198.50
Miscellaneous Expenditure		
(to the extent not written off or adjusted)	13	195.01
	Total:	10,844.38
Significant Accounting Policies and Notes forming part of the Financial Statements	19	

Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

P. B. PARDIWALLA
Partner

Place : Mumbai
Dated : April 30, 2007

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

LANCY VARGHESE
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	Rupees in crores Year ended 31.03.2007
INCOME:		
Gross Turnover		
Domestic		5,743.70
Export		3,593.64
Total:		9,337.34
Less: Excise duty		742.90
Net Turnover		8,594.44
Other Income	14	105.15
		8,699.59
EXPENDITURE:		
Employees Remuneration and Benefits	15	175.81
Materials	16	4,026.99
Manufacturing and Other Expenses	17	1,574.13
Interest and Finance Charges (net)	18	399.59
Depreciation etc.		498.25
Miscellaneous Expenditure Written-off		109.68
		6,784.45
Profit before Taxation		1,915.14
Provision for Taxation (including Wealth Tax)		623.25
Profit after Taxation but before share of profits from associates		1,291.89
Share of Profits of Associates		12.00
Profit after Taxation		1,303.89
Profit brought forward from earlier years		1,384.47
Amount available for Appropriation		2,688.36
Appropriations:		
Transferred from Debenture Redemption Reserve		39.48
Dividend on Preference Shares		(27.90)
Interim Dividend on Equity Shares		(204.98)
Corporate Dividend Tax		(33.49)
Transfer to General Reserve		(129.21)
Balance carried to Balance Sheet		2,332.26
Earnings per share (Equity shares, par value of Rs.10 each) (in Rupees)		
Basic		80.86
Diluted		79.62
Significant Accounting Policies and Notes forming part of the Financial Statements	19	

Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

P. B. PARDIWALLA
Partner

Place : Mumbai
Dated : April 30, 2007

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

LANCY VARGHESE
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

Rupees in crores

			Year ended 31.03.2007
A.	**CASH FLOW FROM OPERATING ACTIVITIES NET PROFIT BEFORE TAX**		1,915.14
	Adjustments for :		
	Depreciation	498.25	
	Miscellaneous Expenditure written off	109.68	
	Profit on sale of fixed assets	(0.77)	
	Interest Income	(7.27)	
	Dividend Income	(0.34)	
	Interest	288.25	
	Foreign exchange variation (net)	(0.25)	
	Miscellaneous Expenditure Paid	(1.90)	
	Provision no longer required written back	(8.35)	
			877.30
	Operating profit before working capital changes		2,792.44
	Adjustments for :		
	Trade and other receivables	120.79	
	Trade payables	281.13	
	Inventories	(87.43)	
			314.49
	Cash flow before taxation & exceptional items		3,106.93
	Direct Taxes Paid		(285.16)
	NET CASH FLOW FROM OPERATING ACTIVITIES		2,821.77
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets and capital advances		(2,356.38)
	Purchase of Long Term Investments		(97.07)
	Sale of Fixed Assets		0.32
	Realisation of Other Current Assets		205.89
	Interest received		3.60
	Dividend received		0.34
	NET CASH USED IN INVESTING ACTIVITIES		(2,243.30)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Issue of Equity Share Capital		212.19
	Proceeds from Long Term Borrowings		1,242.74
	Repayment against Long Term Borrowings		(1,017.67)
	Repayment/availment of Bank Borrowings		(86.76)
	Interest Paid		(326.17)
	Dividend Paid		(408.73)
	NET CASH USED IN FINANCING ACTIVITIES		(384.40)
	NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C)		194.07
	CASH AND CASH EQUIVALENTS - OPENING BALANCE		49.99
	CASH AND CASH EQUIVALENTS - CLOSING BALANCE		244.06

Notes:

(1) The above cash flow statement has been prepared by using the Indirect Method as per Accounting Standard (AS) - 3 on "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.

(2) Cash and cash equivalents include effect of exchange rate changes amounting to Rs. 1.38 crores in respect of Bank balance held in foreign currency.

(3) Cash and cash equivalents exclude balance in margin money, short term deposits and balance in debenture interest/instalments/dividend payments aggregating to Rs. 95.40 crores.

As per our attached report of even date

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

P. B. PARDIWALLA
Partner
Place : Mumbai
Dated : April 30, 2007

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

DR. B. N. SINGH
Jt. Managing Director & CEO

SESHAGIRI RAO M.V.S.
Director (Finance)

LANCY VARGHESE
Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

Rupees in crores

	As at 31.03.2007
SCHEDULE 1	
SHARE CAPITAL	
Authorised :	
200,00,00,000 Equity Shares of Rs.10 each	2,000.00
100,00,00,000 Preference Shares of Rs.10 each	1,000.00
	3,000.00
Issued and Subscribed:	
16,39,78,813 Equity Shares of Rs.10 each fully paid up	163.98
Add : Equity Shares Forfeited (Amount originally paid-up)	61.03
27,90,34,907 10% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	279.03
	504.04
Share Application Money	21.76
Total:	525.80
SCHEDULE 2	
RESERVES AND SURPLUS:	
Securities Premium Account :	
As per last Balance Sheet	163.09
Add : Received on issue of equity shares	183.41
	346.50
Debenture Redemption Reserve:	
As per last Balance Sheet	82.19
Less: Transferred to Profit and Loss Account	39.48
	42.71
General Reserve:	
As per last Balance Sheet	2,282.22
Add: Pursuant to Schemes of Arrangement and /or Amalgamation	0.05
Add: Transferred from Profit and Loss Account	129.21
	2,411.48
Foreign Currency Translation Reserve	0.07
Surplus in Profit and Loss Account	2,332.26
Total:	5,133.02
SCHEDULE 3	
SECURED LOANS	
Non-Convertible Debentures (NCDs)	
8% NCDs of Rs. 100 each	166.61
8.5% NCDs of Rs. 10 lacs each	72.15
10% NCDs of Rs. 100 each	68.01
	306.77
From Banks	
Buyer's Credit (Foreign Currency Loans)	101.68
Rupee Term Loans	2,574.63
Foreign Currency Term Loans	451.11
	3,127.42
From Financial Institutions	
Buyer's Credit (Foreign Currency Loans)	12.55
Rupee Term Loans	44.21
	56.76
Working Capital Loans from Banks	141.55
Total:	3,632.50

	Rupees in crores As at 31.03.2007
SCHEDULE 4	
UNSECURED LOANS	
Long term advances from customers	522.51
Foreign Currency Loans	18.02
Total:	540.53

SCHEDULE 5

FIXED ASSETS

Rupees in crores

Particulars	Gross Block				Depreciation / Amortisation / Impairment				Net Block
	As at 01.04.06	Additions/ Transfer	Deductions	As at 31.03.07	As at 01.04.06	For the year	Deductions	As at 31.03.07	As at 31.03.07
Tangibles									
Freehold Land	86.08	-	-	**86.08**	-	18.48	-	**18.48**	**67.60**
Leasehold Land	9.54	21.92	-	**31.46**	0.11	0.06	-	**0.17**	**31.29**
Buildings	1,332.27	169.88	1.19	**1,500.96**	203.70	43.89	0.18	**247.41**	**1253.55**
Plant & Machinery@	6,831.55	1,950.47	23.68	**8,758.34**	1,621.22	427.17	23.20	**2,025.19**	**6733.15**
Furniture & Fixtures@	23.36	17.41	0.75	**40.02**	9.62	2.93	0.75	**11.80**	**28.22**
Vehicles & Aircraft	76.24	10.38	2.72	**83.90**	6.14	5.36	0.89	**10.61**	**73.29**
Intangibles									
Software	9.93	2.70	-	**12.63**	9.88	0.36	-	**10.24**	**2.39**
Total	8,368.97	2,172.76	28.34	**10,513.39**	1,850.67	498.25	25.02	**2,323.90**	**8,189.49**
@ Include proportionate share of assets jointly owned									
Plant & Machinery	33.21	-	-	**33.21**	9.78	2.48	-	**12.26**	**20.95**
Furniture & Fixtures	4.23	-	-	**4.23**	1.77	0.27	-	**2.04**	**2.19**
Capital Work in Progress									**2,012.47**

Notes:

(1) 'Buildings' include:

(a) Roads not owned by the Company amortised over a period of five years. Gross Block Rs. 3.13 crores Net Block Rs. 0.91 crores

(b) Assets given on operating lease for which documents are yet to be executed pending approvals from Secured Lenders and KSIIDC. Gross Block Rs. 3.08 crores; Net Block Rs. 2.72 crores.

(c) Execution of Conveyence deed in favour of the Company is pending in respect of Building of Gross Block Rs 4.21 crores, Net Block Rs.3.94 crores

(d) Cost of shares in Co-operative Housing Societies Rs. 1,250.

(2) Plant and Machinery amortised over a period of five years include:
- 220KV HT line and Railway track system, assets not owned by the Company. Gross Block Rs. 11.59 crores Net Block Rs. Nil crores

(3) Plant & Machinery includes Foreign Exchange Fluctuations - (Gain) Rs. 4.61 crores.

(4) Fixed assets include Borrowing costs of Rs. 84.18 crores capitalised during the year.

(5) Additions to Gross Block and Accumulated depreciation in the previous year include transfers under Scheme of Amalgamation.

		Rupees in crores As at 31.03.2007
SCHEDULE 6		
INVESTMENTS		
(Unquoted)		
1 LONG TERM		
a) **Government Securities**		
National Savings Certificates		0.01
(Rs. 61,000) (Pledged with Commercial Tax Department)		
b) **Trade:**		
In Equity shares of Associates		
Cost of Investments	119.53	
(Including Rs. 0.15 crores of goodwill net of capital reserve arising on consolidation)		
Add: Share of accumulated post acquisition profit till March 31, 2007 (net)	62.85	182.38

	Rupees in crores As at 31.03.2007
Jindal Praxair Oxygen Company Private Limited	
4,160,000, 10% Redeemable Preference Shares of Rs. 10 each fully paid-up	4.16
4,200,000, 10% Non Cumulative Non Convertible Redeemable Preference Shares of Rs. 10 each fully paid up	4.20
32,310,000, 0.1% Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 10 each fully paid up	32.31
SICOM Limited	4.88
600,000 Equity Shares of Rs 10 each fully paid-up	
2 CURRENT	
Mutual Funds	17.06
Total:	245.00

Note: Mode of Valuation - Refer note B (5) of Schedule 19

SCHEDULE 7	
INVENTORIES	
Raw Materials	611.44
Production Consumables and Stores & Spares	165.73
Work-in-Progress	38.89
Semi Finished/ Finished Goods	196.05
Total:	1,012.11

Note: Mode of Valuation - Refer note B (7) of Schedule 19.

SCHEDULE 8	
SUNDRY DEBTORS	
Unsecured	
Outstanding for a period exceeding six months :	
Considered Good	54.36
Considered Doubtful	11.89
Less: Provision for Doubtful debts	(11.89)
Other Debts	
Considered Good	191.60
Considered Doubtful	0.06
Less: Provision for Doubtful debts	(0.06)
Total:	245.96

SCHEDULE 9	
CASH AND BANK BALANCES	
Cash on hand	0.25
Balances with Scheduled Banks :	
In Current Accounts	167.37
In Margin Money/Term Deposit Accounts	171.84
Total:	339.46

		Rupees in crores As at 31.03.2007
SCHEDULE 10		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Advance to Suppliers	103.38	
Export benefits receivable/Excise duty refund on exports	90.95	
Insurance Claim Receivable (see note C (4) of Schedule 19)	57.87	
Advance towards Equity/Preference capital	15.54	
Prepayments and Others	102.31	
Less: Provision for Doubtful Advances	(16.06)	
		353.99
Premises and Other deposits		91.92
Excise Balances		93.52
Advance Tax and Tax deducted at source (net)		6.81
Loans to Bodies Corporate	9.10	
Less: Provision for Doubtful Loans	(9.10)	-
Total:		546.24
SCHEDULE 11		
CURRENT LIABILITIES		
Acceptances		1,478.00
Sundry Creditors		510.87
Advances from Customers		40.48
Interest Accrued but not due on loans		142.25
Other Liabilities		28.26
Investor Education and Protection Fund shall be credited by :		
Unclaimed Debenture Redemption Instalments		1.80
Unclaimed Debenture Interest		1.79
Unclaimed Dividend		4.70
Unclaimed amount of sale proceeds of fractional shares		3.88
Total:		2,212.03
SCHEDULE 12		
PROVISIONS		
Provision for :		
Income Tax (net)		31.50
Wealth Tax (net)		0.41
Fringe Benefit Tax (net)		0.27
Provision for Leave Encashment		10.46
Proposed Dividend on Preference Shares		27.90
Corporate Dividend Tax		4.74
Total:		75.28
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Share and Debenture Issue Expenses		7.40
Deferred Revenue Expenditure		187.61
Total:		195.01

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2007

	Rupees in crores Year ended 31.03.2007
SCHEDULE 14	
OTHER INCOME	
Dividend	
on Long Term Investments	0.06
on Current Investments	0.28
Profit on Sale of Fixed Assets	2.59
Insurance Claim (see note C (4) of Schedule 19)	66.14
Foreign Exchange Gain (net)	19.22
Miscellaneous income	16.86
Total:	105.15
SCHEDULE 15	
EMPLOYEES' REMUNERATION & BENEFITS	
Salaries, Wages and Bonus	154.70
Contibution to Provident and Other Funds	8.52
Staff Welfare Expenses	12.59
Total:	175.81
SCHEDULE 16	
MATERIALS	
Raw Materials Consumed	3,961.04
Decrease/(Increase) in Stocks	
Opening Stock :	
Semi Finished /Finished Goods	195.06
Work-in-progress	105.65
	300.71
Closing Stock :	
Semi Finished /Finished Goods	195.29
Work-in-progress	38.88
	234.17
	66.54
Excise duty on Stock of Finished Goods (net)	(0.59)
Total:	4,026.99

	Rupees in crores
	Year ended 31.03.2007

SCHEDULE 17

MANUFACTURING AND OTHER EXPENSES

Rent	**3.11**
Rates & Taxes	**7.06**
Insurance	**13.06**
Power and Fuel	**393.10**
Stores and Spares consumed	**413.23**
Carriage and Freight	**469.37**
Repairs & Maintenance :	
Plant & Machinery	**87.85**
Buildings	**19.93**
Others	**1.94**
Commission on Sales	**37.15**
Donations	**4.44**
Miscellaneous Expenses	**106.08**
Provision for Doubtful Debts/Loans/Advances	**15.99**
Loss on sale of fixed assets	**1.82**
Total:	**1,574.13**

SCHEDULE 18

INTEREST AND FINANCE CHARGES (net)

Interest on :	
Debentures and Fixed Loans	**288.25**
Others	**93.75**
Other Finance Charges	**24.86**
	406.86
Less: Interest Income	**7.27**
Total:	**399.59**

SCHEDULE 19:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

A. COMPANY BACKGROUND

JSW Steel Limited ('JSW' or 'the Company') was incorporated on March 15, 1994. The Company is engaged in the business of production and of distribution of iron and steel products and generation of power.

The Company has the following Wholly Owned Subsidiary Companies:

Name of the Company	Country of incorporation	Share holding	Nature of business
JSW Steel (UK) Limited	United Kingdom	100%	Investment in steel related and steel allied businesses.
JSW Natural Resources Limited	Republic of Mauritius	100%	Investment holding Company.
JSW Steel Processing Centres Limited	India	100%	To set up service centers to meet the customers demands.

The Company has following Associate Companies:

Name of the Company	Country of incorporation	Proportion of Ownership Interest	Nature of business
JSW Energy (Vijayanagar) Limited	India	42%	Thermal based power generation.
Jindal Praxair Oxygen Company Private Limited *	India	26%	Production of gaseous and liquid form of oxygen, nitrogen, argon and other products recoverable from separation of air.

*Consolidated based on unaudited financial information / estimates as certified by the management.

The Company has the following Joint Venture Company:

Name of the Company	Country of incorporation	Proportion of Ownership Interest	Nature of business
Vijayanagar Minerals Private Limited**	India	40%	Supply of Iron ore.

**Consolidated based on unaudited financial information / estimates as certified by the management.

The Company has a 26% stake in Jindal Praxair Oxygen Company Private Limited (JPOCL). Though the Company is entitled to exercise joint control in respect of certain operating and financial matters in terms of the shareholders agreement, on account of certain constraints, is unable to exercise such joint control. The Company has representation on JPOCL's Board. JPOCL has therefore been consolidated as an associate in accordance with the requirements of Accounting Standard (AS) - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements".

B. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The subsidiaries are consolidated on a line-by-line basis in accordance with the principles laid down in Accounting Standard (AS) -21 on "Consolidated Financial Statements". Inter-company transactions and balances and resulting unrealized profits are eliminated in full. Unrealized losses resulting from such transactions are also eliminated unless cost cannot be recovered.

Investments in associates are accounted for under the Equity Method laid down in Accounting Standard (AS) -23 on "Accounting for Investments in Associates in Consolidated Financial Statements". Unrealized profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are not eliminated to the extent the cost of the transferred asset cannot be recovered.

Investments in joint ventures are accounted for by using the proportionate consolidation methodlaid down in Accounting Standard (AS) - 27 on "Financial Reporting of Interests in Joint Ventures".

Intercompany transactions and balances are eliminated to the extent of the Company's interest in the joint venture. Unrealized losses are not eliminated to the extent the cost of the transferred asset cannot be recovered.

For the purpose of consolidation, the financial statements of the subsidiary, joint venture and associate companies are drawn up to and as on March 31, 2007.

The excess of cost to the Company of its investment in Subsidiary Companies and Joint Venture over the Company's portion of equity is recognised in the Financial Statements as goodwill.

2. **Uniform Accounting Policies**

The Consolidated Financial Statements of JSW and its subsidiary, joint venture and associate companies have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3. **Use of Estimates**

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognized in the periods in which the results are known / materialize.

4. **Fixed Assets and Depreciation**

Fixed Assets are stated at their cost of acquisition or construction less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use. Expenditure incurred during construction period:

Apart from costs related directly to the construction of an asset, indirect expenses incurred up to the date of commencement of commercial production which are incidental and related to construction are capitalized as part of the construction cost. Income, if any, earned during the construction period is deducted from the indirect costs.

Depreciation on assets is provided, prorata for the period of use, by the Straight Line Method (SLM) at the SLM rates prescribed in Schedule XIV to the Companies Act, 1956.

Leasehold land is amortized over the period of the lease.

The Company capitalizes software where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over an estimated useful life of 3 to 5 years.

For the purpose of determining the appropriate depreciation rates, plant and machinery falling in the category of continuous process plant has been identified on the basis of technical opinion by the Company.

An asset is considered as impaired in accordance with Accounting Standard (AS)-28 on "Impairment of Assets", when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds it recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss Account.

5. **Investments**

Investments are classified as current or long-term in accordance with Accounting Standard (AS)-13 on "Accounting for Investments".

Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account. Long term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of such investments.

6 **Revenue Recognition**

Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.

Revenue from sale of goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of sales tax/ Value Added Tax. Export turnover includes related export benefits. The excise duty recovered is presented as a reduction from gross turnover.

7. **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined by the weighted average cost method.

Excise duty related to finished goods is included under Schedule 16 - Materials.

8. **Retirement Benefits**

Retirement benefit costs are expensed to revenue as incurred.

The Company contributes to Employees' Provident Fund and Gratuity Fund in accordance with the rules of the respective funds and/or statute, as applicable. Accruing gratuity and leave encashment liabilities are provided for, according to the rules of these schemes, on the basis of actuarial valuations at year-end made by an independent actuary.

9. **Foreign Currency Transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated into Rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the Profit and Loss Account, except those relating to the acquisition of fixed assets from countries outside India, which are adjusted to the carrying cost of the related fixed asset. Non-monetary items such as investments are carried at historical cost using the exchange rates on the date of the transaction. In the case of forward contracts (for hedging purposes) the premium or discount arising at inception is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change. In translating the financial statements of subsidiary companies' non-integral foreign operations, for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and nonmonetary are translated at the closing rate, the income and expense items of the subsidiary company are translated at exchange rates at the dates of the transactions and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

10. **Income Tax**

Income taxes are accounted for in accordance with Accounting Standard (AS) - 22 on "Accounting for Taxes on Income". Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/ recovered from the revenue authorities, using the applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Fringe Benefits Tax" issued by the ICAI regarded as an additional income tax and considered in determination of profits for the year. Tax on distributed profits payable in accordance with the provisions of section 115O of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

11. **Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard (AS) - 16 on "Borrowing Costs" are capitalized as part of the cost of such asset up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

Interest income earned from deposits is reduced from Interest and Finance charges. (Schedule 18)

12. **Operating Lease**

Operating lease receipts and payments are recognized as income or expense in the Profit and Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

13. **Earnings Per Share**

The Company reports basic and diluted Earnings per share (EPS) in accordance with Accounting Standard (AS) - 20 on "Earnings per Share". Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

14. **Cash Flow Statement**

The Consolidated Cash Flow Statement has been prepared on the basis of the Consolidated Financial Statements. The Consolidated Cash Flow Statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on "Cash Flow Statements" and presents the consolidated cash flows by operating, investing and financing activities of the Company.

Cash and cash equivalents presented in the Consolidated Cash Flow Statement consist of cash on hand and demand deposits with banks.

15. **Contingent Liabilities**

Contingent liabilities as defined in Accounting Standard (AS) - 29 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Provision is made if it is probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

16. **Miscellaneous Expenditure**

Miscellaneous expenditure is written off to the Profit and Loss Account over a period of up to ten years depending upon the nature and expected future benefit of such expenditure. The management reviews the amortization period on a regular basis and if expected future benefits from such expenditure are significantly lower from the previous estimates, the amortization period is accordingly changed (see note C (11) below).

C. NOTES TO ACCOUNTS:

1. **Contingent Liabilities not provided for in respect of:**

a) Bills Discou nted Rs. 749.76 crores.

b) Corporate Guarantee given to bank against credit facility extended to a Company Rs.62 crores.

c) Disputed statutory claims/levies including those pending in courts (excluding interest leviable, if any), in respect of:

(i) Excise Duty Rs. 41.57 crores;

(ii) Custom Duty Rs.99.05 crores;

(iii) Income Tax Rs. 36.39 crores;

(iv) Sales Tax / Special Entry tax Rs. 1.53 crores;

(v) Service Tax Rs. 3.40 crores;

(vi) Miscellaneous Rs.0.25 crores and

(vii) Levies by local authorities Rs. 12.49 crores.

d) Claims by Suppliers and other third parties Rs. 356.99 crores (gross) Rs. 111.01 crores (net) of counter claims as stated below.

The Company has made counter claims / has a right to recover monies in the event of claims crystallising.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 4,686.36 crores.

3. **Capital Work-in-Progress comprises:**

Rupees in crores

		Current Year
a)	Buildings, Plant & Machinery etc.,	1,273.74
b)	Capital Advances	741.96
	Less: Provision for doubtful advances	86.71
	Net Capital Advances (unsecured and considered good)	655.25
c)	Pre-operative Expenses (pending allocation)	
	Opening Balance	119.08
	Add: Raw Materials Consumed	176.22
	Rent	0.04
	Power and fuel	0.46
	Stores & Spares	7.24
	Salaries, wages and bonus	12.65
	Contribution to Provident Fund etc.	0.40
	Staff Welfare Expenses	0.33
	Rates & Taxes	0.01
	Insurance	2.26

	Rupees in crores
	Current Year
Repairs & Maintenance-Plant & Machinery	**1.15**
Exchange difference	**50.02**
Miscellaneous Expenses	**13.85**
Interest on Fixed Loans & Debentures	**32.69**
Interest Others	**25.65**
Finance Charges	**13.34**
	455.40
Less : Self consumption of trial run production	**183.75**
Interest Income	**2.88**
Dividend from Short term Investment	**0.13**
Allocated to Fixed Asset/Capital Work in Progress	**180.81**
Transferred on sale	**4.35**
Balance carried forward	**83.48**
Total (a+b+c)	**2,012.47**

4. On February 15, 2007, there was a major fire at one of the furnaces at the Vijayanagar plant. The Company has incurred Rs.11.56 crores upto 31.03.2007 on repairs of the said furnace and has claimed the amount from the insurance company under its fire insurance policy. The Company has also estimated a claim of Rs.56.25 crores upto 31.03.2007 under its Loss of Profit policy based on a letter from the insurance company confirming admissibility of the claim and included the amount in Other income in the Profit and Loss Account. The Company has received on account payments aggregating to Rs. 10 crores upto 31.03.2007 against the claims made. The ultimate settlement of the claims is dependent on submission of relevant documents as may be procedurally required and processing by the Insurance Company.

5. **Disclosure regarding Derivative Instruments:**

I) The Company has entered into the following derivative instruments:

a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy.

The following are the outstanding Forward Exchange Contracts entered into by the Company:

As at	No. of Contracts	Type	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	**5**	**Buy**	**23.37**	**101.88**
	43	**Sell**	**154.79**	**674.74**

b) The Company also uses derivative contracts other than forward contracts to hedge the interest rate and currency risk on its capital account. Such transactions are governed by the strategy approved by the Board of Directors, which provide principles on the use of these instruments, consistent with the Company's Risk Management Policy. The Company does not use these contracts for speculative purposes.

i) Interest Rate Swaps to hedge against fluctuations in interest rate changes

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	**7**	**36.67**	**159.83**

ii) Currency Swap to hedge against fluctuations in changes in exchange rate and Interest Rate

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	**11**	**47.00**	**204.87**

iii) Currency options to hedge against fluctuations in changes in exchange rate

As at	No. of Contracts	US$ equivalent (Million)	INR equivalent (Crores)
31.03.2007	**3**	**22.07**	**96.20**

II) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amounts receivable in foreign currency on account of the following:

	Current year	
	US$ equivalent (Million)	INR equivalent (Crores)
Sale of goods	**7.98**	**34.80**
Fixed Deposit	**20.32**	**88.59**
Interest receivable	**0.18**	**0.80**

b) Amounts payable in foreign currency on account of the following:

	Current year	
	US$ equivalent (Million)	INR equivalent (Crores)
Acceptances	**315.28**	**1,376.12**
Interest payable	**2.68**	**11.68**
Loans payable	**184.63**	**804.80**

6. **Segment Reporting:**

i) Revenue, Results and other information:

Rupees in crores

	Current Year		
Particulars	**Steel**	**Power**	**Total**
Revenue			
External Sales	**8,588.45**	**5.99**	**8,594.44**
Inter Segment Adjustment	**150.75**	**449.04**	-
Total Revenue	**8,739.20**	**455.03**	**8,594.44**
Results			
Segment/Operating Results	**2,053.31**	**273.08**	**2,326.39**
Un-allocated Income			**0.34**
Interest Expenses			**(399.59)**
Provision for Taxation			**(623.25)**
Net Profit			**1,303.89**
Other Information			
Segment Assets	**12,435.83**	**490.19**	**12,926.02**
Un-allocated Assets			**10.66**
Total Assets			**12,936.68**
Segment Liabilities	**2,210.43**	**1.60**	**2,212.03**
Un-allocated Liabilities & Provisions			**4,248.31**
Total Liabilities			**6,460.34**
Depreciation	**482.24**	**16.01**	**498.25**
Total Cash incurred during the year to acquire Segment Assets	**2,381.42**	**34.29**	**2,415.71**
Non cash expenses other than Depreciation	**109.32**	**0.36**	**109.68**

ii) The Secondary segment is based on geographical demarcation i.e. India and Outside India. The secondary segment revenue are as under

Rupees in crores

	Current Year
India	5,000.80
Outside India	3,593.64

7. **Related parties Disclosure as per Accounting Standard (AS) - 18:**

a) **List of Related Parties:**

Parties with whom the company has entered into transactions during the year.

1) **Associates:**

Jindal Praxair Oxygen Company Private Limited
JSW Energy (Vijayanagar) Limited
Vijayanagar Minerals Private Limited
Nalwa Sons Investments Limited
Jindal Stainless Limited
Jindal Steel & Alloys Limited
Jindal Saw Limited
Jindal Steel & Power Limited
Southern Iron & Steel Company Limited
South West Port Limited
Jindal South West Holdings Limited
Jindal Industries Limited
JSW Investments Private Limited
(Formerly Samarth Holdings Private Limited)
JSW Energy Limited
Mysore Minerals Limited
Praxair, Incorporated, U.S.A.
Praxair Pacific Limited, Mauritius
Praxair India Private Limited

2) **Key Management Personnel:**

Mrs. Savitri Devi Jindal
Mr. Sajjan Jindal
Dr. B.N.Singh
Mr. Seshagiri Rao M.V.S

3) **Relatives of Key Management Personnel**

Mr. Naveen Jindal
Mrs. Nirmala Goel
Mr. P R Jindal

b) **Transactions with related parties:**

Rupees in crores

	Current Year
Purchase of Goods / Power & Fuel / Services	
South West Port Limited	63.75
Jindal Praxair Oxygen Company Private Limited	177.64
Others	51.68
Total	293.07

Rupees in crores

	Current Year
Sales of Goods/Power & Fuel/ Services	
JSW Energy Limited	262.05
Southern Iron & Steel Company Limited	115.74
Jindal Industries Limited	84.17
Jindal Saw Limited	8.52
Others	24.66
Total	495.14
Purchase of Assets	
Southern Iron & Steel Company Limited	70.28
Jindal Steel & Power Limited	50.84
Jindal Saw Limited	1.11
Others	0.56
Total	122.79
Sale of Assets	
Southern Iron & Steel Company Limited	34.23
Investments made	
JSW Energy (Vijayanagar) Limited	80.01
Issue of Equity Shares including Securities Premium and Share Application Money	
JSW Investments Private Limited	194.48
Mr. Sajjan Jindal	17.68
Total	212.16

Remuneration to Key Managerial Personnel

Rupees in crores

	Current Year
Mrs. Savitri Devi Jindal	0.08
Mr. Sajjan Jindal	13.25
Dr. B N Singh	1.03
Mr. Seshagiri Rao M V S	0.80
Total	15.16

c) **Closing balances of related parties**

Rupees in crores

	As at 31.03.2007
Trade Payables:	
Jindal Praxair Oxygen Company Private Limited	53.27
South West Port Limited	3.92
Others	1.18
Total	58.37
Advance from Customers	
Jindal Steel & Power Limited	0.29
Total	0.29
Lease Deposit:	
Jindal Praxair Oxygen Company Private Limited	2.83
JSW Energy Limited	6.49
Total	9.32

	Rupees in crores
	As at 31.03.2007
Trade Receivables	
JSW Energy limited	23.91
Southern Iron & Steel Company Limited	34.32
Jindal Industries Limited	1.60
Others	51.12
Total	110.95
Capital Advances	
Jindal Steel & Power Limited	25.43
Advance against Equity	
Vijayanagar Minerals Private Limited	2.44
Other Advances	
Southern Iron & Steel Company Limited	3.01
Jindal Steel & Power Limited	8.86
Jindal Saw Limited	0.07
Others	12.41
Total	24.35
Other Current Assets	
JSW Investments Private Limited	312.82
Southern Iron & Steel Company Limited	29.22
Total	342.04
Share Application Money received	
JSW Investments Private Limited	17.68
Mr. Sajjan Jindal	4.08
Total	21.76
Guarantees and collaterals provided by the Company	
Jindal Praxair Oxygen Company Private Limited	29.24
Southern Iron & Steel Company Limited	62.00
Total	91.24

Note:

Related party relationships have been identified by the management and relied upon by the auditors.

8. Operating Lease Arrangements:

a) As Lessor:

i. The Company has entered into a lease arrangement, for renting out 2,279 houses (admeasuring approximately 1,410,997 square feet) at the rate of Rs 100/- per house per annum and 175 houses (admeasuring approximately 93,631 square feet) at the rate of Rs. 24/- per square feet per annum, for a period of 60 months ("the term") from the beginning of the current financial year and is renewable at the option of the lessee after the end of the term.

ii. Future minimum lease rental is receivable under operating lease for each of the following periods as under:

Rupees in crores

Particulars	Current Year
Not later than 1 year	0.24
Later than 1 year to 5 years	0.74
Later than 5 years	-
Total	0.98

Rupees in crores

Particulars	Current Year
iii. Disclosure of depreciation on assets given on lease during the year:	
Gross carrying amount of assets	100.22
Accumulated Depreciation	6.86
WDV of the leased assets	93.36
Depreciation for the year	1.10

b) As Lessee:

i. Future Minimum sub-lease payments expected to be received under non cancellable sub-lease Rs. 2.08 crores.

ii. Lease Rental charged to revenue for right to use following assets are:

Rupees in crores

Particulars	Current Year
Cold Rolling Steel Undertaking	6.00
Office Premises, Residential Flats etc.	3.07
Total	9.07

The agreements are executed for a period of 11 to 60 months with a renewable clause and also provides or termination at will by other party giving a prior notice period of 1 to 3 months.

iii. Sub-lease payments recognised in the statement of Profit and Loss Account Rs. 0.52 crores.

9. The computation of Earnings per Share:

		Current Year
Profit after Tax	Rs. in Crs	1,303.89
Less: Dividend on preference shares	Rs. in Crs	32.65
Profit after tax for Equity share holders (Numerator)	Rs. in Crs	1,271.24
Earning per share - Basic	Rs.	80.86
Earning per share - Diluted	Rs.	79.62
Nominal value per share	Rs.	10
Weighted average number of equity shares for Basic EPS (denominator)	**Nos.**	157208820
Weighted average number of equity shares for Diluted EPS (denominator)	**Nos.**	159661527

10. a) Provision for Taxation includes:

Rupees in crores

	Current Year
Current Tax	364.06
Deferred Tax	270.64
Fringe Benefit Tax	4.35
Wealth Tax	0.35
Tax adjustment of earlier years	(16.15)
Total	623.25

	Rupees in crores
	Current Year
b) Deferred tax asset/(liability) comprises timing differences on account of:	
Depreciation	**(1,130.09)**
Expenses allowable on payment basis	**38.88**
Provision for doubtful debts/ capital advances	**38.80**
Others	**39.88**
Deferred Tax asset / (liability)	**(1,012.53)**

11. During the year, the Company has, consequent to a review of the amortization period relating to Miscellaneous Expenditure, additionally charged off Rs. 48.43 crores to the Profit and Loss Account.

12. Figures pertaining to the subsidiary and joint venture companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.

13. Previous year's figures have not been provided since this is the first occasion that the consolidated financial statements are presented.

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S.
Director (Finance)

DR. B. N. SINGH
Jt. Managing Director & CEO

LANCY VARGHESE
Company Secretary

Place: Mumbai
Dated: April 30, 2007