Breaking Barriers

Annual Report 2005-2006

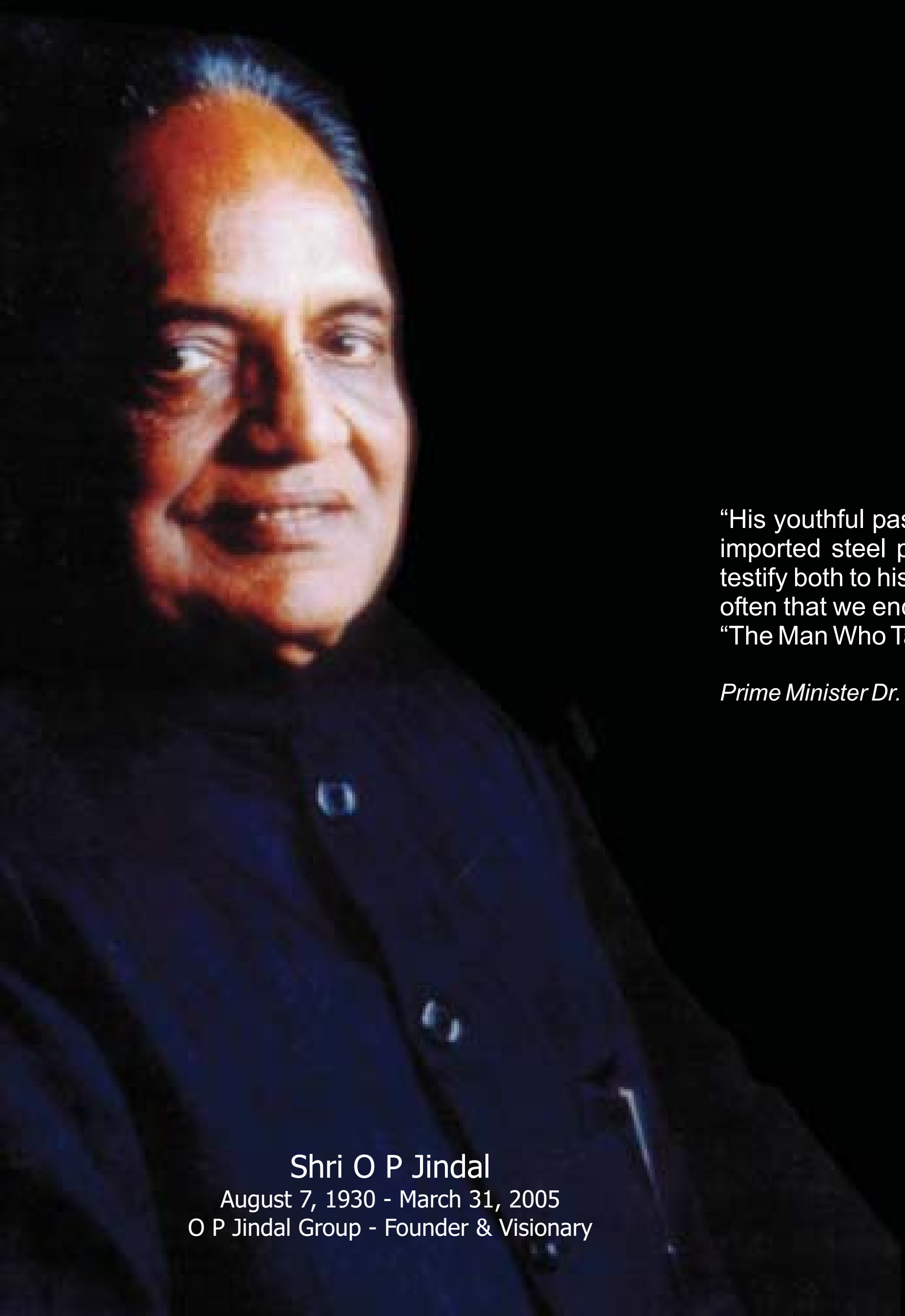
Steel Limited

Contents

BREAKING BARRIERS

Born a farmer. Passed away into the great beyond as an industrialist. The journey in between was marked by an ability to think independently, to doggedly pursue dreams till they achieved fruition and recognizing that the only way to succeed is to break barriers.

We humbly follow his lead.



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

“His youthful passion to see the ‘Made in England’ markings on the imported steel products being replaced by a ‘Made in India’ label testify both to his patriotism and his sense of commitment …. It is not often that we encounter a biography of a farmer’s son that is entitled “The Man Who Talked to Machines”!”

Prime Minister Dr. Manmohan Singh, August 7, 2005, New Delhi.

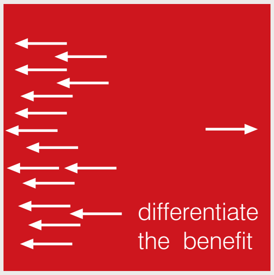
Our Values

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 determines 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.

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 both domestic and global markets

Vice Chairman’s Message

Dear Shareholder,

It is a great pleasure to present before you the exemplary performance posted by your company for the financial year 2005-06, inspite of challenges of increasing input costs and falling price realisations. The company's strategic initiatives of creating incremental capacities at low specific investment cost per tonne at a faster pace; vertically integrating across the supply chain and improving the financial profile has put in place a strong business model and robust financial structure; thus, making your company resilient enough to pass through the cycles successfully.

From the modest beginning around a decade ago, your company has grown multi-fold through organic and inorganic modes into a multi-product, multi-locational organization with three manufacturing plants located in Vasind and Tarapur in Maharashtra and Vijayanagar in Karnataka.

The financial year 2005-06 has once again been a landmark year for your company with the implementation of Scheme of Amalgamation giving the benefit of having captive coke, power and expanding the crude steel capacity from 1.6mtpa to 2.5 mtpa. Consequently, the company could achieve growth in volumes and registered turnover of Rs.6766 crores. Even though the price realisations have fallen by over 30 % from their peaks, the company achieved a net profit of Rs.856 crores mainly due to savings in overall cost of production and interest cost. The net profit for the year includes the profit on disinvestment of shares held in JSW Energy Ltd. Your company has exited from CDR framework by repaying the entire outstanding debt to CDR lenders.

The buoyancy in the Indian economy picked up momentum and pushed up the GDP growth to over 8% (of which the manufacturing sector clocked a growth of around 10%.) The major steel consuming sectors namely housing, automobiles, white goods and infrastructure are also growing rapidly which in turn augurs well for the steel sector. The increased outlays on infrastructure development, placing emphasis on urban and rural infrastructure in the current union budget are expected to create a favorable environment to achieve targeted GDP growth rate of 10%.

The global steel industry is passing through an interesting phase with a spate of mergers and the theme of consolidation (placed the top 10 Steel producers controlling 28.7% of world production vis a vis 20.7% in 1994.) Another change driving the world steel industry is shifting of basic steel making capacities to emerging economies endowed with natural resources namely iron ore. The Indian steel sector is upbeat with these developments due to availability of large iron ore reserves attracting new investments for creating incremental capacities. China continues to be the major producer and consumer of steel in the world; with the Chinese economy still growing at a rate of 9 to 10% with no signs of steel demand tapering down in the foreseeable future.

Against this backdrop, the steel consumption in India is expected to grow rapidly and create ample opportunities for your company. We at JSW Steel, are bullish about the industry prospects and have embarked on a scorching growth path over next four years. While we are at the verge of completing the 1.3 mtpa expansion project in the next couple of months, the capacity expansion to 7mtpa is under-way and planned to be completed by March, 2009.Meticulous planning is being done to accomplish the vision of making your company a 10mtpa by 2010 at Vijayanagar. I am happy to inform you that your company has also signed a Memorandum of Understanding with the State Government of Jharkhand for setting up a 10mtpa integrated steel plant (subject to availability of inputs, land etc.) JSW Steel is therefore poised to be one of the dominant players in the Indian steel industry with bright prospects.

We, at JSW Steel, focus on sustainable development by establishing equilibrium between our economic, environmental and social performance. We have always focused on maintaining a clean and safe environment at all our operating plants. All our expansion projects are planned and designed keeping in mind their environmental compatibility and compliance standards.

All this would not have been possible without the people at JSW Steel, who have made it a habit of raising standards year after year. This year’s theme of ‘**Breaking Barriers**’ is dedicated to them. I would like to take this opportunity to extend my thanks to all our shareholders for showing so much faith and trust in our company and management. I hope you will continue to support us in the same manner in the years to come.

Yours Truly

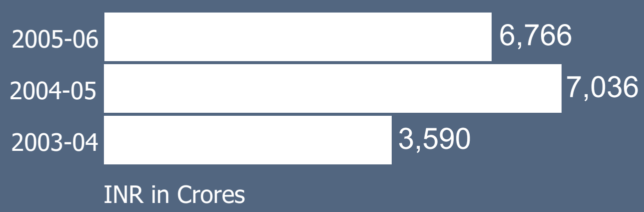
SAJJAN JINDAL
Vice Chairman &
Managing Director

HIGHLIGHTS 2005-06

- Crude Steel Output up by 20% to 2.25 million tonnes
- Galvanised Product Output up by 14% to 0.78 million tonnes
- Cost of Production Lower by 12%
- Weighted average cost of debt 8.01%
- Interest Cost reduced by 23%
- Debts Repayment of Rs. 1,014 crores
- Debt Equity Ratio 0.96
- Net Profit Rs. 856.53 crores
- Equity Dividend 80%

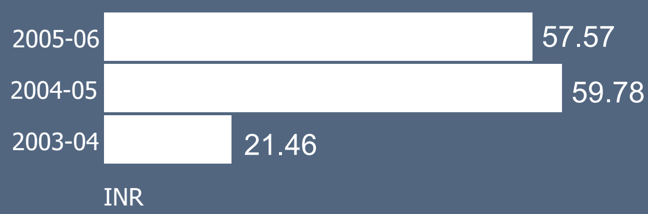
Gross Sales

3 years CAGR : 34.42%



Earnings per Share

Diluted (Before Exeptional Items- Net of Tax)

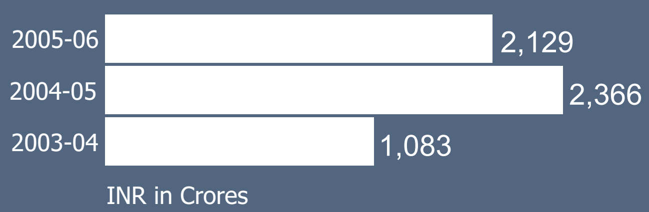


EBIDTA Margin (%)

Debt equity Ratio

EBIDTA

3 years CAGR : 43.85%



Breaking Records

IMEA award
Platinum Award by Frost & Sullivan's India Manufacturing Excellence Awards (IMEA) (Metal Category) - Vijayanagar Works.

Green Tech award
Gold Award in Metal sector -2004-05 for Outstanding Achievement in Environment Management by Green Tech Foundation, U.K.

CII-EXIM Bank Award 2005
Bagged Commendation Certificate for Significant Achievement organised jointly by Confederation of Indian Industry (CII) and Export Import(Exim) Bank of India

Rockwell Jury Award
Frost & Sullivan - Rockwell Jury Award for Excellence through Automation.

BREAKING MINDSETS

There is a limit to our vision. Yet, all progress in mankind stems from the ability to challenge that limitation by touching the line that separates dreams and reality, by reaching out for that elusive light, by taking steps into the unknown, guided by the knowledge that the sky can be pushed just a little further.

Our checkpoints on the journey from vision to reality have been clearly charted out: young thinking, expansion, value.

YOUNG THINKING

In a fast-changing world, where innovation keeps redefining standards, we benchmark ourselves only with the best in the world. Meeting requirements is not enough; we are here to deliver beyond expectations.

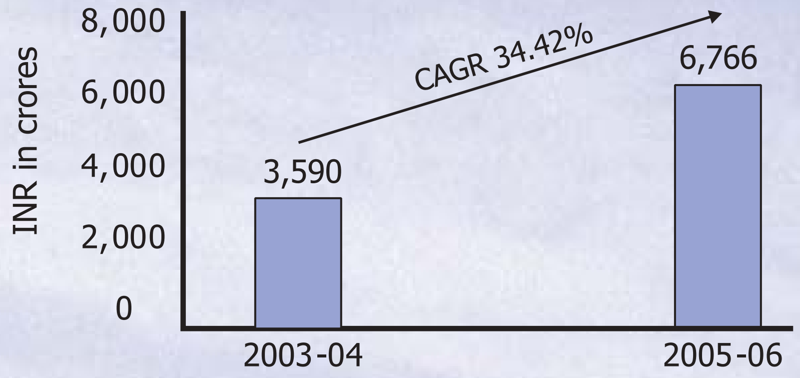
EXPANSION

The per capita consumption of steel the world over is 180 kgs. We in India stand at 32 kgs. To help bridge this huge gap, we have finalized extensive expansion plans. Our steel-making facility is going up from 2.5 to 3.7 million tonnes and will further expand to 7 million tonnes by 2008.

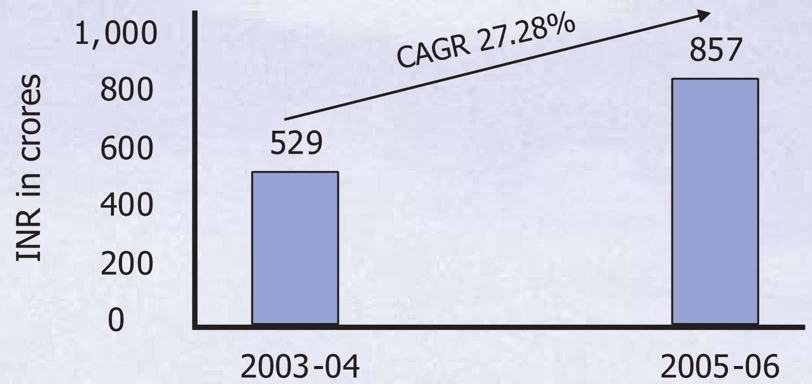
VALUE

Exploring possibilities is not only about acheiving high quality. Reducing the production cost is equally high on the scale. We have employed the latest technology and a well trained team at all levels to acheive this. The result : Today our conversion costs are among the lowest in the world.

Gross Sales



PAT



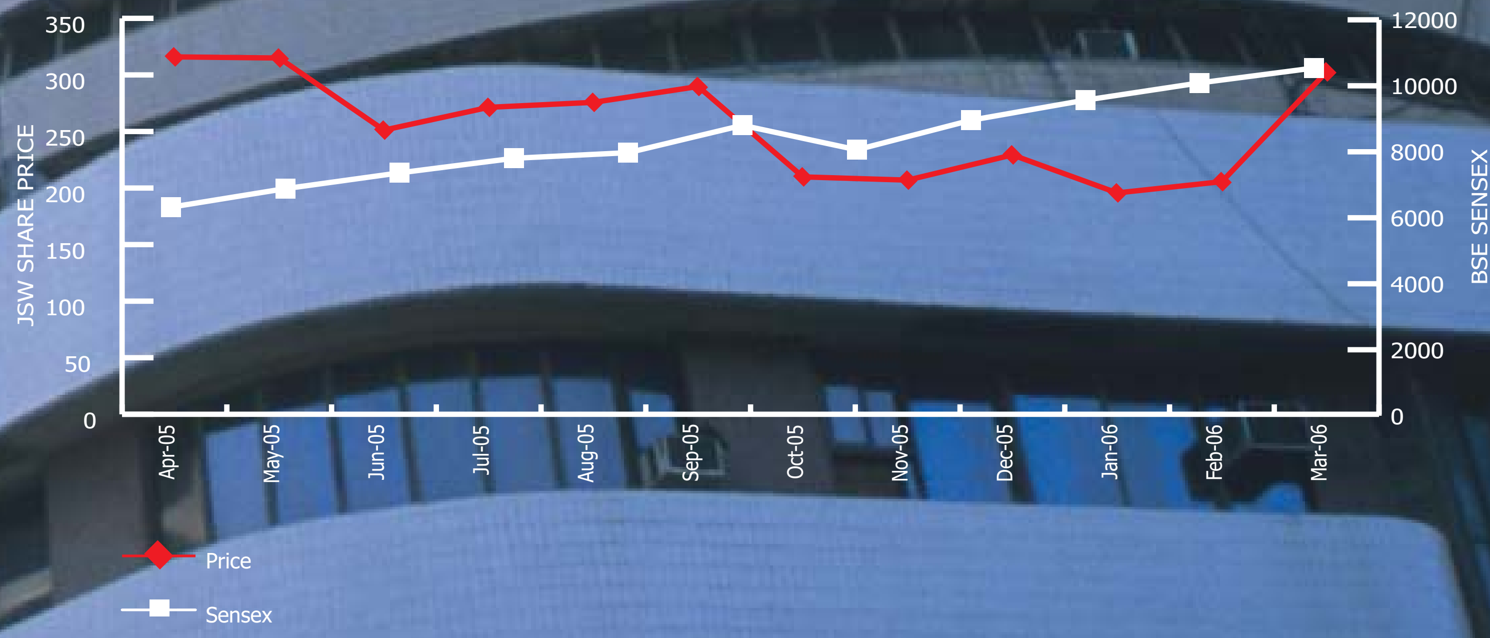
BREAKING TRENDS

JSW Steel showed substantial growth in sales and profit by expanding capacity from 1.6 MTPA to 2.5 MTPA at low specific investment cost per tonne.

Increased level of vertical integration and reduced interest cost helped us show a further improved bottom line.

BREAKING NEW GROUNDS

An annual steel production that exceeds 2.25 million tonnes. We are working to better our capacity even further in the near future.



BREAKING STEREOTYPES

The steep fall in prices and increase in cost from April '05 to February '06 could not stop the share price of JSW Steel Limited from preserving the value for shareholders. We performed consistently well during the financial year.

BREAKING PATTERNS

At JSW, Corporate Social Responsibility is not just another phrase. It is a philosophy that works in tandem with our day-to-day business. Whether it is training the women crane operators or promoting education, culture, sports and health related initiatives' we continue to back our commitment to good corporate governance.

BREAKING MOULDS

To us 'Human Resources' means the ability to help our employees find the resources they have been blessed with.

The average age of our employees is about 32 years. Nurturing and nourishing talent, encouraging honest communication through the incorporation and implementation of Quality Circles and suggestion schemes, hiring and retaining the best talent in the country helps us develop Young Steel. Is it any wonder then that we have had no problems manning while expanding our capacity levels from 2.5 to 4 million tonnes.

BREAKING MYTHS

A lush green landscape: around 10 lakh trees stand testimony to our efforts in helping conserve the environment. We also ensure that each drop of water is recycled that makes us a zero-effluent discharge plant. The only one of its kind in the country.

KEY MILESTONES

2006
- Commissioning of Blast Furnace II, increasing the capacity to 3.8 MTPA and launching the expansion to 7 MTPA

2005
- Commissioning of Colour Coating line at Tarapur with capacity of 0.1 MTPA
- Merger of JISCO and JVSL to form JSW Steel Limited,the third largest steel manufacturer in India

2004
- Commissioning of Blast Furnace I increasing the capacity to 2.5 MTPA

2001
- Commissioning of Corex II increasing the capacity to 1.6 MTPA

1999
- Commissioning of the integrated steel plant, Jindal Vijayanagar Steel Limited (JVSL) at Vijayanagar, Karnataka with capacity of 0.8 MTPA

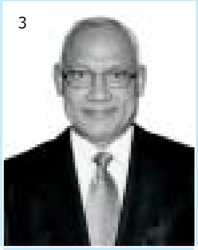
1993
- Setting up of the first galvanising line.
- Coated Strips Division (CSD - I) at Tarapur, Maharashtra to produce galvanised sheets / coils

1991
- Merger of hot rolling mill at Vasind, Maharashtra with JISCO

1982
- Setting up of the company Jindal Iron and Steel Company Limited (JISCO) with the commissioning of 20 -Hi cold rolling mill at Tarapur, Maharashtra

BOARD OF DIRECTORS

As of March 2006



1. Mrs. Savitri Devi Jindal
- Chairperson

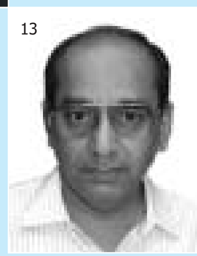
2. Mr. Sajjan Jindal
- Vice Chairman & Managing Director

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

4. Mr. Sheshagiri Rao M V S
- Director (Finance)

5. Dr. S. K. Gupta
- Director

6. Mr. Anthony Paul Pedder
- Director



7. Mr. Uday Chitale
- Director

8. Mr. I.M. Vittala Murthy, IAS
- Nominee Director of KSIIDC

9. Mrs. Zarin Daruwala
- Nominee Director of ICICI Bank Limited

10. Mr. Sudipto Sarkar
- Director

11. Dr.Vijay Kelkar
- Director

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

13. Mr. K. V. Krishnamurthy
- Nominee Director of Industrial Development Bank of India

COMPANY SECRETARY : Mr. Mehernosh H. Kapadia

STATUTORY AUDITORS : Lodha & Co.,Mumbai

CONCURRENT AUDITORS : S. R. Batliboi & Co, Kolkata

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

REGISTERED OFFICE

Jindal Mansion
5A Dr. G Deshmukh Marg
Mumbai 400 026.
Tel : 23513000
Fax : 23526400
Website : www.jsw.in

WORKS

P.O. Toranagallu, Sandur Taluk,
Dist Bellary, Karnataka - 583123.

Vasind, Shahapur Taluk,
Thane, Maharashtra - 421604.

Tarapur, MIDC Boisar,
Thane, Maharashtra - 401 506.

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Karvy House, 46, Avenue 4,
Street No 1, Banjara Hills,
Hyderabad - 500 034.
Tel : +91 40 23420815 - 24 (10 lines)
Fax: +91 40 23420814
E-mail : mailmanager@karvy.com

DIRECTORS' REPORT

Dear Members,

Your Directors are delighted to present the Twelfth Annual Report of your Company along with the Audited Accounts for the year ended 31st March 2006.

1. FINANCIAL RESULTS

Rs. in crores

Sr. No.	Particulars	31.03.2006	31.03.2005
i)	Gross Sales	6766.09	7035.90
ii)	Net Sales	6180.10	6679.36
iii)	Other Income	382.96	18.98
iv)	Total Revenue	6563.06	6698.34
v)	Gross Profit before Interest, Depreciation, Miscellaneous Expenditure written off, Exceptional Items & Taxation	2129.07	2365.83
vi)	Interest	360.32	469.87
vii)	Cash Profit	1768.75	1895.96
viii)	Depreciation and Miscellaneous Expenditure written off	467.61	420.02
ix)	Profit before Exceptional Items & Taxation	1301.14	1475.94
x)	Exceptional Items	-	(3.33)
xi)	Profit before Taxation	1301.14	1472.61
xii)	Tax including Deferred Tax/Fringe Benefit tax	436.85	602.50
xiii)	Profit for the year after taxation	864.29	870.11
xiv)	Tax adjustment for earlier year	7.76	-
xv)	Net Profit	856.53	870.11
xvi)	Profit Brought forward from Previous Year	719.57	132.79
xvii)	Amount available for appropriation	1576.10	1002.90
xviii)	Appropriations :		
	Transfer to Debenture Redemption Reserve	(17.00)	25.00
	Dividend on Preference Shares for FY 2003-04	-	19.59
	Dividend on Preference Shares for FY 2004-05	-	27.90
	Interim Dividend on Equity Shares @ 30%	-	38.71
	Proposed Dividend on Preference Shares for FY 2005-06	27.90	-
	Proposed Final Dividend on Equity Shares	125.58	64.52
	Tax on Equity and Preference Dividend	21.53	20.59
	Transfer to General Reserve	86.43	87.02
	Total	244.44	283.33
xix)	Balance carried to Balance Sheet	1331.66	719.57

The Scheme of Amalgamation for merging Euro Ikon Iron & Steel Pvt. Ltd., (Euro Ikon), Euro Coke & Energy Pvt. Ltd. (Euro Coke) and JSW Power Ltd. (JPL) with the Company was approved by the Hon'ble High Court of Judicature at Mumbai with appointed date as 1st of April 2005. The results for the year under review are after giving effect to the Scheme of Amalgamation.

The FY 2005-06 was the year of excitement with the encouraging trend of consolidation in the Steel industry around the Globe and the new challenges of steep fall in prices and significant increases in input cost, particularly Iron ore and Coal.

Your Company has shown resilience to absorb the shocks of volatility in prices of inputs/products and has shown a volume growth of over 20% in HR Coil and also in all the other product segments.

Inspite of increase in certain input costs, the Company could reduce overall cost of production per ton on account of cost efficiencies and availability of captive power. The other income of the Company includes profit on sale of investments held in JSW Energy Limited amounting to Rs.369.20 Crores. The interest cost has come down by 23.3% due to repayment/prepayment of loans and also refinancing of entire expensive debt. Notwithstanding the drop in net sales realisation and higher input costs, the Company has shown a healthy net profit after tax of Rs. 856.53 Crores.

2. DIVIDEND

Considering the excellent performance for the year under review and the financial position of the Company, your Directors are pleased to recommend a dividend of Rs. 8 per equity share of Rs. 10 each (80%) for the financial year ended 31st March, 2006 for your approval.

Your Directors also 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, 2006 for your approval.

3. SCHEME OF AMALGAMATION

The Scheme of Amalgamation of Euro Ikon Iron & Steel Private Limited (Euro Ikon), Euro Coke & Energy Private Limited (Euro Coke) and JSW Power Limited (JPL) with the Company, approved by the Hon'ble High Court of Judicature at Mumbai vide order dated 30th September, 2005, became effective on 16.11.2005.

Accordingly, Euro Ikon (with its blast furnace capacity of 0.90 MTPA), Euro Coke (with its manufacturing capacity of coke of 0.62 MTPA) and JPL (with its 290 MW power plant) got amalgamated with your Company w.e.f. 01.04.2005 (the Appointed Date).

Euro Ikon, Euro Coke and JPL were suppliers of key inputs i.e. hot metal, met coke and power to your Company.

Acquisition of these companies has helped your Company to vertically integrate its operations and eliminate uncertainty over expiry of their contractual arrangements. The merger has also resulted in synergy benefits, simplified operating structure and cost savings. As the merger was through a stock swap, there was no cash outflow for your Company.

4. PROJECTS AND EXPANSION PLANS

Projects commissioned in FY 2005-06 :

- Colour coating line with a capacity of 0.1 MTPA for producing PPGI (Pre-painted galvanized iron) in July, 2005.
- Lime calcinations plant commissioned in October, 2005.

Under Commissioning in FY 2006-07 :

- The project to expand Crude Steel capacity from 2.5 MTPA to 3.8 MTPA is expected to be operational fully by 2nd Quarter of 2006-07.
- The capacity expansion in Pellet plant by 0.8 MTPA is also under way and will be completed by June 2006.
- The Hot Strip Mill is under shut down for a period of around 30 days in April/May 2006 for modernisation and to enhance capacity to 2.5 MTPA. It will recommence operation in second half of May 2006.

New Projects :

- Implementation to set up 1 MTPA Cold Rolling Mill Complex is progressing satisfactorily and is expected to be operational in the first half of financial year 2007-08.
- Upgradation of the Hot Strip Mill from 2.5 MTPA to 3.2 MTPA.
- In order to capitalize on the emerging opportunities, your Company has charted out plans to expand the capacity of Crude Steel from 3.8 MTPA to 6.8 MTPA as under :
  - Addition of one blast furnace of capacity 4019 M3 (largest in India), and other associated equipment to set up an additional Crude steel capacity of 2.8 MTPA.
  - Upgradation of the Blast furnace #1 from 0.9 MTPA to 1.1 MTPA.
- A Memorandum of Understanding has been signed with the Government of Jharkhand for setting up a 10 MTPA greenfield integrated steel plant. The project also includes infrastructure development like modern townships for employees. This project will however be taken up on establishment of linkages for necessary raw materials and other inputs.

5. PROSPECTS

The outlook for the steel industry is promising due to :

- Exceptionally strong growth in emerging economies.
- Shifting of basic steel making capacities from developed economies to emerging economies.
- Consolidation in steel industry across the Globe including China.

Besides these positive developments in the Global Steel scenario, the Indian economy is slated to be growing at an accelerated pace of more than 8% supported by a growth rate close to 10% in the manufacturing sector. The fundamental competitive advantages which Indian Steel industry enjoys has attracted several existing and new international steel majors to announce Brownfield/Greenfield projects in India. As per the National Steel Policy announced by the Government of India, the steel production capacity to reach to 110 Million tonnes per annum by 2020 with an estimated growth rate of 7.3% p.a. The tremendous growth potential in Housing, Infrastructure, Auto sector is expected to push up the Steel demand quite steeply and this target of 110 Million tonnes can be reached even earlier than anticipated. Your Company is well poised to capitalise these opportunities and expand its capacities at a faster pace.

6. RIGHTS ISSUE

The Board of Directors of your Company, on 20.01.2006 approved issue of equity shares on rights basis up to a maximum amount of Rs.400 crores to part finance the cost of setting up 1 MTPA Cold Rolling Mill Complex at Vijayanagar works.

The entitlement of the rights will be in the ratio of 1 equity share for every 8 shares held on the record date to be fixed. Besides, every share allotted on rights basis will also have two attached warrants separately tradable as Series 'A' and Series 'B' warrant. Series 'A' warrant is convertible into one equity share between 18 to 36 months and Series 'B' warrant is convertible into one equity share between 24 to 48 months. The warrant conversion price will be fixed based on a formula linked to the then prevailing market price.

The Draft Letter of Offer was filed with the Securities & Exchange Board of India and Stock Exchanges on 25.01.2006 and necessary clearances are awaited.

In the mean time, sudden upturn in the Steel cycle starting from February 2006 and increased international investors interest to invest in India and Indian steel sector have opened up new avenues for raising resources through ADR/GDR/FCCB from the international market at attractive terms. The shareholders have already approved to raise up to US$ 500 Million through these sources. In view of the ongoing and upcoming capital expenditure programme of the Company, it is now decided to consider a comprehensive plan for raising funds from these sources besides Rights Issue.

7. EXIT FROM CDR

Your Company has refinanced the entire outstanding CDR Debt. As a result, your Company has been permitted to exit from Corporate Debt Restructuring (CDR) framework in September 2005 on prepayment of entire outstanding debt and on settlement of Right of Recompense. Since the entire restructured debt of CDR lenders has been paid, the restrictive covenants of CDR are no more applicable to your Company.

8. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

- **JSW ENERGY LIMITED (FORMERLY KNOWN AS JINDAL THERMAL POWER COMPANY LIMITED) (JSWEL):**

  Both the units of JSWEL performed at high PLF levels. Out of the net generation of 1904.403 MUs, JSWEL has supplied 654.6748 MUs of power to your Company during 2005-06 to service the demands of your Company and JPOCL. The balance of 1249.7282 MUs was supplied to other power purchasers (KPTCL, PTC and TATA POWER).

  JSWEL was awarded the 'Safety Excellance Award 2005' by Gulburga Regional Safety Committee.

  As your Company's power requirements at enhanced capacity of 3.8 MTPA are expected to be met from captive power plant of 230 MW (to be fully operational during the FY 2006-07), it is decided to disinvest shares held by your Company in JSW Energy Ltd.

  On 31.03.2006, your Company sold/disinvested its entire holding of 14,44,99,400 Equity Shares of JSW Energy Limited in favour of Samarth Holdings Pvt. Limited, a company belonging to the JSW Group of Companies, part of the O P Jindal Group for a total consideration of Rs. 513.69 Crores based on the recommendations of an independent valuer to be paid within 12 months from the date of disinvestment.

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

  As per last Audited Financial Statement for the year ended 31st March, 2005 of JPOCL, the reported turnover and net profit after tax were Rs. 257.37 crores and Rs. 35.58 crores respectively.

Your Company has made certain claims on JPOCL for an amount aggregating to Rs. 153.63 crores as on 31.03.2006 on account of power supplies, Credit for excess billing, other related issues, and interest thereon. JPOCL has initiated arbitration proceedings before an arbitral tribunal of three arbitrators for an amount aggregating approximately Rs. 111.95 crores as 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 have commenced. The Claims of JPOCL have not been acknowledged by your Company as debts and has 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 FY 2005-06, 1.10 million tonnes of iron ore were dispatched from Thimmappanagudi Iron Ore Mines. VMPL has undertaken afforestation measure in and around mines and large area has been covered under afforestation during the year, thus making the mining activities more eco-friendly. VMPL is pursuing with the Government of Karnataka for allocation of additional mining areas to meet the iron ore requirements of your Company.

9. CREDIT RATING

Credit Analysis & Research Ltd. (CARE) has assigned rating of AA-(Double A Minus) to the secured Non-Convertible Debentures (NCDs) program for an amount of Rs.170 crores.

10. 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.

11. CHANGE OF NAME OF YOUR COMPANY

As approved by the members in the last Annual General Meeting, the name of your Company was changed from Jindal Vijayanagar Steel Limited to "JSW Steel Limited" with effect from 16th June, 2005 to bring it more in line with the brand image being created under JSW Group (part of O.P. Jindal group) and to forge a separate and distinct identity of its own.

12. DIRECTORS

Dr. S.K. Gupta, Mr. Sajjan Jindal and Mr. Seshagiri Rao M.V.S, 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. Uday M. Chitale was appointed as an Additional Director w.e.f. 20.10.2005. Your Company has received notice under Section 257 of the Companies Act, 1956 from a shareholder proposing him for the Office of Director to be elected by the members in the ensuing Annual General Meeting.

Other changes in the Board of Directors of your Company since the date of last Annual General Meeting are as follows :

Industrial Development Bank of India (IDBI) nominated Mr. K.V. Krishnamurthy as its nominee Director in place of Mr. R.N. Roy w.e.f. 14.07.2005.

Dr. Ramaswamy P. Aiyar who was on the Board of your Company since 28.09.1999 expired on 23.07.2005. Your Directors express their profound grief on the sad demise of Dr. Ramaswamy P. Aiyar.

LIC of India withdrew the nomination of Mr. S. David Chandrasekaran, as its nominee Director w.e.f. 20.09.2005.

Karnataka State Industrial Investment and Development Corporation Limited withdrew the nomination of Mr. N. Gokulram during the year.

Mr. Raman Madhok resigned as Jt. Managing Director & CEO (Downstream SBU) with effect from 07.11.2005.

ICICI Bank Limited has nominated Mrs. Zarin Daruwala, as its nominee Director in place of Mr. Balaji Swaminathan w.e.f. 13.12.2005.

Your Directors place on record their deep appreciation of the valuable services rendered by Mr. R.N. Roy, Dr. Ramaswamy P. Aiyar, Mr. S. David Chandrasekaran, Mr. Balaji Swaminathan, Mr. Raman Madhok and Mr. N. Gokulram during their tenure as Directors.

13. SHARE CAPITAL

Upon the Scheme of Amalgamation of Euro Ikon Iron & Steel Private Limited (Euro Ikon), Euro Coke & Energy Private Limited (Euro Coke) and JSW Power Limited (JPL) with the Company becoming effective, 1,79,92,837 equity shares of Rs. 10 each of the Company were issued to the shareholders of Euro Ikon, Euro Coke and JPL.

Further, 99,43,043 equity shares of Rs. 10 each were issued at a price of Rs. 160 per share to the warrant holders upon exercise of option attached to the warrants issued pursuant to the Scheme of Arrangement & Amalgamation between the Company, Jindal Iron & Steel Co. Ltd. & Jindal South West Holdings Ltd. and their respective members and creditors ('Scheme').

The unexercised warrants lapsed upon expiry of exercise period (21.11.2005 to 31.12.2005).

Forfeiture in respect of 11,300 equity shares (pre Scheme) were annulled upon appropriation of unidentified call money and 495 equity shares were issued in accordance with the terms of the Scheme.

Accordingly, during the year under review your Company's paid up equity share capital has increased from Rs.129,03,91,420 to Rs. 156,97,55,170 comprising of 15,69,75,517 equity shares of Rs. 10 each.

14. 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 the Physical Share Purchase Scheme.

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 for that purpose.

15. VOLUNTARY DELISTING OF SECURITIES FROM THE BANGALORE STOCK EXCHANGE LIMITED

The volume of the securities of your Company traded on the Bangalore Stock Exchange is virtually nil and your Company has to incur expenditure and comply with the listing formalities to keep the Company's securities listed on the above exchange.

It is therefore proposed to delist your Company's securities from the Bangalore Stock Exchange Limited. The proposal is placed for your approval.

Your Company's securities shall continue to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) which have nationwide trading terminals.

16. AUDITORS

Your Company's Auditors, M/s. Lodha & Co., Chartered Accountants, who will retire at the conclusion of the ensuing Annual General Meeting, have expressed their unwillingness to be reappointed as the Statutory Auditors at the forthcoming Annual General Meeting. Your Directors therefore recommend the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General meeting. The Company has received a certificate under Section 224(1B) confirming that, their appointment if made, will be within the limit prescribed under that section.

17. OTHER DEVELOPMENTS

(a) Sale of 60 MW Power Plant

JSW Power Ltd. has been merged with Appointed Date as 1st April, 2005 with the Company pursuant to approval of Scheme of Amalgamation by the Honourable High Court of Bombay. JSW Power plant was implementing 290 MW Power plant at that time out of which 230 MW has been set-up adjacent to the steel plant of the Company at Vijayanagar and the balance 60 MW in Tamil Nadu to meet the captive requirement of Southern Iron & Steel Co.Ltd. (SISCOL). As JSW Steel is not in the business of generation and sale of power, the 60 MW power plant which is expected to be operational in the FY 2006-07 should form part of SISCOL operation instead of continuing as part of JSW Steel. The Board has therefore decided to sell this unit as a 'Slump Sale' to SISCOL at a consideration to be determined by an independent valuer.

(b) Investment of Rs. 124.80 crores in Special Purpose Vehicle (SPV) to set up 500 MW power plant at Vijayanagar:

The power requirement of the steel plant upto 3.8 mtpa will be met by the captive power plant of 230 MW. When the expansion plans of the Company to increase the capacity to 6.8 mtpa fructifies by March 2009, the power requirement will go up by another 250 MW. In order to ensure the availability of power at competitive rate, it is proposed to invest in a SPV promoted by JSW Steel Ltd. & JSW Energy Ltd. The total cost for setting up the 500 MW be Rs. 1600 crores intended to be financed Rs. 480 crores by way of equity and the balance Rs. 1120 crores by way of debt in the SPV. JSW Steel will participate in the equity of the SPV to the extent of 26% amounting to Rs. 124.8 crores and the balance will be contributed by JSW Energy Ltd. In the event the Company decides to increase its capacity beyond 7 mtpa, additional power will be available from SPV to meet the requirement of the Company pending which the surplus power can be sold by SPV to 3rd parties. Therefore the Board of Directors approved to make investment upto Rs. 124.8 crores in the equity of SPV for setting up 500 MW power plant.

18. 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.

19. AWARDS & RECOGNITION

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

I. IMEA Award

Platinum Award by Frost & Sullivan's India Manufacturing Excellence Awards (IMEA) (Metal Category) - Vijayanagar Works.

II. Green Tech Award

Gold Award in Metal sector - 2004-05 for Outstanding Achievement in Environment Management by Green Tech Foundation, U.K.

III. CII-EXIM Bank Award 2005

Bagged Commendation Certificate for Significant Achievement – organised jointly by Confederation of Indian Industry (CII) and Export Import (Exim) Bank of India.

IV. Rockwell Jury Award

Frost & Sullivan - Rockwell Jury Award for Excellence through Automation.

V. National Metallurgist Award – 2005.

Vijayanagar Works -

Dr. B.N. Singh, Jt. Managing Director & CEO from the Ministry of Steel, Government of India.

VI. Metallurgist of the Year Award - 2005

Vijayanagar Works -

Dr. Dharmendra Gupta, GM (Process Control, iron zone)

Mr. T.K. Naha, V.P. (Iron) from the Ministry of Steel, Government of India

VII. Excellence in Coaching Award

Vasind Works -

Sunil Verma, Coach – Jindal Squash Academy. The Squash Coaching Excellence Award from the Indian Squash Professional (ISP) for 2005.

20. CORPORATE GOVERNANCE

Your Company has complied with the requirements of the revised 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 an annexure to this report.

21. 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.

22. 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.

23. 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 and 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 : 19th April, 2006

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 :

- Reduction in fuel rate in Corex from 1069 kg/thm to 1034 kg/thm. This has been achieved by a combination of operation with high alumina slag, low volatile matter in the coal blend, and improved production.
- Utilization of flue gases from coke oven for generation of ~ 35 MWH power in CPP-2.
- LD gas Holder commissioning for power generation.
- Reduction in power consumption in CGL2 by process parameter optimization using Six-sigma methodology.
- Commissioning of electrical energy management system.
- Installation of Waste Heat Recovery Boiler (WHRB) in Colour Coating Line for producing steam out of the flue gases generated, when the solvent mixture from the paint is burnt in the incinerator. The steam is used in the various process units for heating and thus saves usage of electricity.
- Connecting TM3/TM4 through CRD compressor bank and saving of power by switching Off TM3/TM4 compressors (Appx. 132 KW load).
- Optimization of compressors operation through Standard Operating Practices. Saving of 5-10% of total power consumed by compressors.
- Permanently shutting off one water pump of 93 KW at CRD pump house.
- Optimization of water pumps operation through standard operating practices. Saving of 5-10% of total power consumed by water pumps.
- Auto ON/OFF operation of cooling tower fans at various pump houses and saving of power equivalent to one cooling tower fan.
- Modifying the Ammonia Cracker insulation to maintain the skin temp @ 40 deg C to avoid the heat loss.
- Installing lower capacity coolant pump of 11 KW (in place of 55 KW) to operate it during TM1 Mill shutdown.
- Installing of VFD drives at major blowers.

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Details of technology absorption are given in Form 'B'.

C. FOREIGN EXCHANGE USED AND EARNED

- **Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans**

  The Company's exports comprised Pellets, H R Coils and Galvanized products. 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.

- **Total foreign exchange used and earned**

  Foreign exchange earnings during FY 2005-06 were Rs. 2,051.81 crores as against Rs. 2,846.50 crores during the previous year, while the foreign exchange outgo during the year was Rs. 2,545.81 crores as against Rs. 2,168.96 crores during the previous year.

Form 'A'

Form for disclosure of particulars with respect to Conservation of Energy

A POWER & FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
a) Purchased		
Unit (kwh) (in lacs)	1,133.70	7,737.82
Total Amount (Rs. in crores)	44.54	202.28
Rate/Unit (Rs.)	3.93	2.61
b) Own Generation		
i) Through Captive power plant		
Unit (kwh) (in lacs)	8,293.31	-
Total Amount (Rs. in crores)	127.35	-
Cost/Unit (Rs.)	1.52	-
ii) Through diesel generator		
Unit (kwh) (in lacs)	1,105.26	1,030.45
Unit per ltr. of diesel	3.26	3.00
Total Amount (Rs. in crores)	35.82	26.13
Cost/Unit (Rs.)	3.24	2.54
2. Coal + Coke		
Quantity (tonnes)	28,14,683 t of Coal + 3,92,559 t of Coke	23,92,290 t of Coal + 4,52,123 t of Coke
Total Amount (Rs in crores)	1,936.09	1,891.70
Coal Rate (Rs./t)	5,697	4,458
Coke Rate (Rs./t)	8,471	1,8252
3. Furnace Oil		
Quantity (K.Ltrs.)	5,356	2,242
Total Amount (Rs in crores)	7.52	2.31
Average Rate (Rs./Ltrs.)	14.05	10.31
4. LPG		
Quantity (tonnes)	19,569.37	16,634.37
Total Amount (Rs in crores)	54.96	37.03
Average Rate (Rs./t)	28,084	22,261
5. Others/Internal generation		
Quantity (Water cu.nm)	2,14,21,230	1,77,66,910
Total Cost (Rs. in crores)	0.38	0.19
Rate/Unit (Rs./M3)	0.177	0.107

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards	Current Year	Previous Year
Hot Rolled Coils/Steel plates/sheets:			
Electricity (kwh/t)	350	360	363.8
LPG (Kg/t)	1.3	1.2	1.1
Others (Specify)			
- Water (M3/t)	4.5	5.1	4.6
Galvanized Coils/sheets:			
Electricity (kwh/t)	218	212	218.61
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 :

R&D was carried out in the areas of Iron Ore Beneficiation, Iron Ore Pelletization, Iron making in Corex and Blast Furnace, Steel making and Casting, Hot Rolling and new product development and Cement making with focus on improvement in quality, productivity, energy conservation, waste utilization and cost reduction.

Projects were carried out on energy conservation, process parameters optimization, cycle time reduction, productivity improvement, yield improvement and new product developments.

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 :

- 7 grades of line pipe steel for meeting specific requirements of customers such as IOCL, BPCL, GAIL, JSL, MSL etc.
- Silicon killed low aluminium electrical stamping grade for Ruchi Strips
- 3 high tensile grades for Tarapur, Jindal pipes and PSL Vizag
- 3 numbers for customized applications for Pennar Industries
- Chrome six free GI & development of colour coated GI

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

- Developed flow sheet for beneficiation of low grade iron ore fines.
- Improvement in RDI of pellets by optimization of bentonite dosage, moisture content, and pellet size. This has helped in improving the availability of iron making units, and its productivity.
- Use of semisoft and non-coking coals upto 35% has been successfully practiced to produce coke of desired quality.
- Optimisation of slag regime for Corex has helped in reducing the fuel rate by about 10 kg/thm, in spite of continued usage of high Al_2O_3 pellets (~2.35%).
- Development of slag splashing practice making effective utilization of Laser refractory lining thickness measurement system has made it possible to exceed the converter lining life beyond 11700 heats, which is a national benchmark.
- Development of ultra thin GI material J09 & J10 to cater to eastern & southern market.
- GI with chrome 6 free passivation was developed for European market.
- High tensile grade of CRCA for auto component and forming grade of GI, YS - 310 Mpa were developed for cold forming application.
- A number of softwares were developed, listed below, as an aid to improve quality, productivity, waste utilization, and cost reduction :

  a) Prediction models

  - Prediction of RDI of pellet using Artificial neural network (ANN)
  - Charge calculation for Sintering
  - Thermo chemical model for Corex
  - Charge calculation for blast furnace
  - Prediction of hot metal silicon and temperature using ANN

  b) Optimization models

  - Coal blend optimization for coke oven
  - Optimization of burden distribution for blast furnace
  - Optimization of Argon flow in the Caster for quality improvement

3. Plan of action for 2006-07

To set up a 1.2 Mt plant for beneficiating low grade iron ore fines, improvement of pellet quality by optimizing particles size of limestone, injection of coal fines and steam through tuyeres of Corex, prediction of hot metal silicon, reduction in fuel rate in iron-making unit, increased coal fines injection in BF, improvement in tapping practice of BF, water modeling studies for BOF-CCP, optimization of parameters for pre-treatment of hot metal, improvement in life of HSM rolls, maximized use of BF slag in cement making.

Development of GI with Chrome free passivation at Vasind & Tarapur & E-34 grade micro alloyed plates for base frame of auto component.

4. Expenditure on R&D (2005-06)

- Capital : Rs. 5.20 crores
- Recurring : Rs. 0.82 crores
- Total : Rs. 6.02 crores

Technology Absorption, Adoption and Innovation

1. A) Upstream Complex :

- Introduction of a precise dosing system in the pellet plant which has minimized fluctuation of moisture in the green pellet, thereby improving quality and productivity of pellet plant.
- Continuous feeding of concentrate from beneficiation plant to the pellet plant mixer through a pipe conveyor has helped in improving granulometry of the blend, which ultimately improves the pellet quality.
- Modification in the quenching system to control the moisture in coke within 4%.
- In the Blast Furnace 1 (BF-1), the cooling system has been modified to eliminate hot-spots in the bosh region. This improves the refractory life, therefore the furnace life.
- Design modification to strengthen the bellows in all the three stoves of BF-1 has helped in achieving the designed hot blast temperature, and improved productivity.
- Laser lining measurement system for refractory lining of converter supplied by Ferrotron, Germany. This system in combination with in house development of slag splashing technique has yielded converter life greater than 11700 heats.
- Slag detection system for caster, supplied by Nupro Corporation, USA, helps in improving yield, cleanliness, tundish refractory life and reduce nozzle clogging.
- Auto mould width changer helps in improved availability of the caster.
- Extension of roll bite lubrication to 3 more finishing stands and the roughing stand of hot strip mill has helped improving the roll life and quality of hot rolled products.

B) Downstream Complex :

- Commissioning of Nitrogen injection system for fire protection of main power transformer (40MVA 220KV/22KV).
- Installation of Coating Gauge in CSD 2 to get consistent result & control excess zinc coating.
- Commissioning of state of art Grinding Machine from Romania in January 2006 to become self reliant in rolls grinding facility.

Upgradation planned for FY 2006-07 Downstream Complex :

- Upgradation of HRM 2Hi & steckle mill drives & automation system.
- New thickness gauge for HRM.
- Upgradation of CRM3 drives & automation system and thickness gauge.
- Replacement of old motors by energy efficient motor.
- Installation of ceramic zinc pot in CSD3.
- Upgradation of CSD3 AC Drive.
- Upgradation of vertical accumulator along with jet cooler in CSD2.

2. Imported Technologies :

Innovation/Technology	Year of Import/Absorption	Status of Implementation
Iron ore Pelletization technology from Kvaerner Metals, USA	2000	Successfully commissioned and surpassed rated capacity

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, 2006.

Sr. No.	Name	Designation	Remuneration (Rupees)	Qualification	Experience No. of Years	Age Years	Date of commen-cement of Employment	Last Employment
(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 Vice President-Marketing	3,337,151	BE (Chemical), MBA (Marketing)	23	43	01.07.1999	Essar Steel Ltd. (Joint General Manager)
2.	Bhatt Dileep	Senior Vice President-Marketing	3,165,030	B.Com., DMS	27	47	29.04.1995	Tata Exports Ltd. (Marketing Executive)
3.	Jain N. K.	Advisor	6,440,320	B.Com., F.C.A., F.C.S.	35	59	01.09.1992	Permanent Magnets Ltd. (General Manager-Finance)
4.	Jindal Sajjan	Vice-Chairman & Managing Director	70,270,835	BE (Mechanical)	24	46	04.07.1992	Jindal Strips Ltd. (Joint Managing Director)
5.	Lal J. P. N.	Executive Director - Operations	3,618,451	B.Sc. Engg. (Metallurgy), AMIIM	28	58	14.06.2002	ISPAT International (Director Technical)
6.	Nowal V. K.	Executive Director - Commercial	3,490,017	MBA, DBM, Ph.D.	25	50	14.02.1984	K. M. Sugar Mills Ltd. (Factory Manager)
7.	Ravichandar D.	Senior Vice President - Projects	2,730,250	BE (Mechanical), BE (Electrical)	28	49	18.11.1994	Bhushan Steel & Strips Ltd. (General Manager)
8.	Saralaya L. D.	Senior Vice President - Pellet Plant	2,492,909	ME (Metallurgy)	31	56	07.09.2001	Ashapura Group of Industries (Resident Director)
9.	Sasindran P.	Senior Vice President - BOF	2,893,563	BE (Eletrical)	38	56	09.05.1998	Essar Steel Ltd. (General Manager)
10.	Seshagiri Rao M.V.S	Director - Finance	4,748,888	B.Com., CAIIB, AICWA, LCS, DBF	27	48	01.09.1997	Nicholas Piramal (India) Ltd. (Sr. Vice President)
11	Singh B. N.	Jt. Managing Director & CEO	7,321,042	ME (Metallurgy), Ph. D (Metallurgy)	36	57	13.10.2003	ISPAT International (Managing Director)
(B) Employed for a part of the year and were in receipt of remuneration aggregating to not less than Rs.2,00,000 per month								
1.	Karayi Vijay	Chief General Manager - Internal Audit	76,758	B.Sc., Master in Marketing Management	25	47	09.05.1997	Tata Exports Ltd. (Manager)
2.	Kedia P. K.	Group Senior Vice President - Commercial	1,779,795	B.Com., FICWA, DBM, CS (INTER)	30	46	26.10.2005	Essar Steel Ltd. (Vice President-Commercial)
3.	Madhok Raman	Jt. Managing Director & CEO	4,381,915	M.S., PGD IR & PM, Dip. Trg. & Dev.	24	48	15.12.1995	Cyanamide India Ltd. (Director-Human Resources)
4.	Patel K. N.	Director - Corporate Affairs	261,264	B.Com. (Hons.), FCA	31	54	28.08.1995	Standard Industries Ltd. (Vice President-Finance)
5.	Raichur R. P.	Company Secretary	163,695	B.Com., CA, CS	29	50	13.08.1992	Varkey Holdings Pvt. Ltd. (Manager-Systems & Internal Audit)
6.	Sahni H. H.	Vice President - Finance	926,812	B.Com., CA	14	38	01.12.2005	Mahindra Gesco Developrs Ltd. (Chief Financial Officer)
7.	Sarover K.	Senior Vice President - Plate Mill	1,805,877	BE (Mechanical)	27	52	02.07.2005	Jindal Stainless Ltd. (Vice President)

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 relative of Mrs. Savitri Devi Jindal, Chairperson of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

- OVERVIEW
- INDUSTRY OVERVIEW
- GLOBAL SCENARIO
- OPPORTUNITIES AND THREATS
- STRENGTHS AND WEAKNESSES OF INDIAN STEEL INDUSTRY
- PERFORMANCE ANALYSIS
- INTERNAL AUDIT, CONTROL AND THEIR ADEQUACY
- HUMAN RESOURCES/INDUSTRIAL RELATIONS
- CORPORATE SOCIAL RESPONSIBILITY
- ENVIRONMENT MANAGEMENT
- CAUTIONARY STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

JSW Steel Ltd. is the third largest Steel Producer in India, manufacturing various flat steel products with a capacity of 2.5 MTPA. The Scheme of Amalgamation formulated by the Company for merging Euro Ikon Iron & Steel Pvt. Ltd. (Euro Ikon), Euro Coke & Energy Pvt. Ltd. (Euro Coke) and JSW Power Ltd. (JPL) has been approved by the Hon'ble High Court of Judicature at Mumbai with appointed date as 1st April, 2005. The financial results for the year under review reflect the effect of scheme of amalgamation and therefore figures are not strictly comparable with those of the previous year.

The Company has three manufacturing locations at Vasind, Tarapur in the State of Maharashtra and Vijayanagar in the State of Karnataka. The business is structured through two Strategic Business Units encompassing Pellets to Hot Rolled Coils in Upstream SBU and value added products in the Downstream SBU. The Upstream unit is the only flat steel producer in South India and the first integrated steel plant in India to use oxygen based iron and steel making with continuous casting and hot rolling. The Downstream unit has the largest integrated Galvanizing facilities in India.

The Company has steadfastly followed the following strategies to :

a. Expand capacity at low specific investment cost per ton

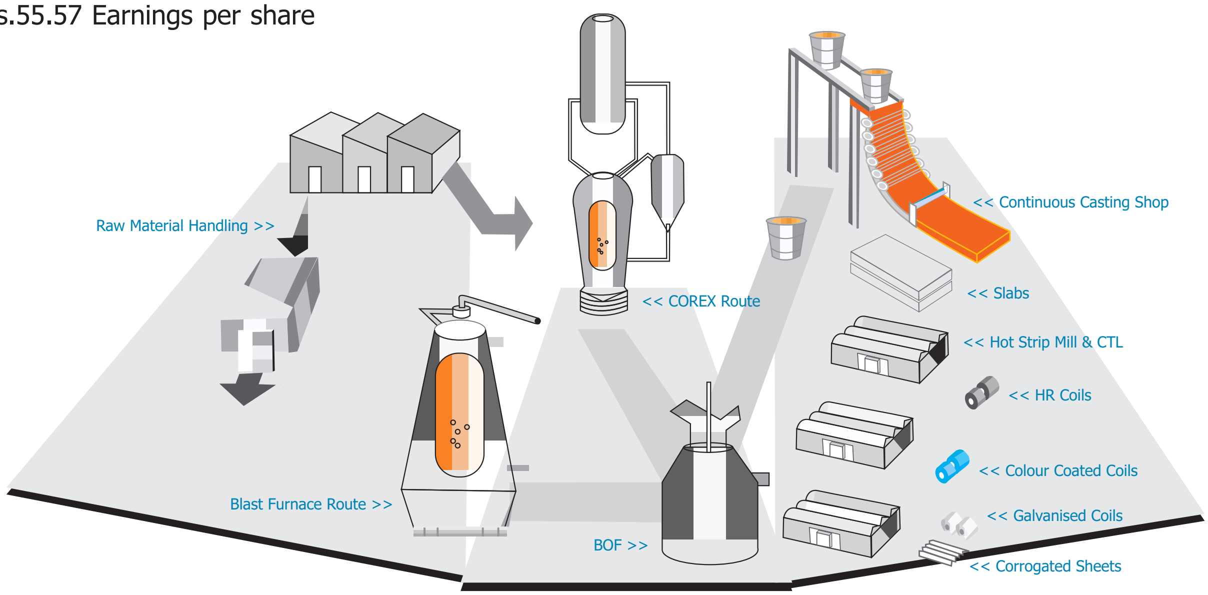
b. Vertically integrate supply chain

c. Improve the debt profile of the Company

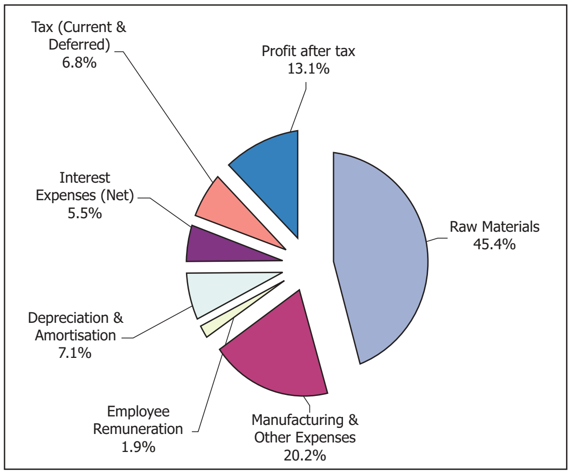
These strategies worked favourably and enabled the Company to expand the capacity from 1.57 MTPA to 2.5 MTPA, to have access to cheap captive power, quality coke and to reduce the debt gearing to 0.96 as on 31st March, 2006 with dramatic improvement in financials.

The Company is not deterred by sluggish markets and steep fall in prices in first eleven months during the financial year under review due to robust business model and strong financial profile. This is evidenced by good performance for the year ended 31st March, 2006 as given here under :

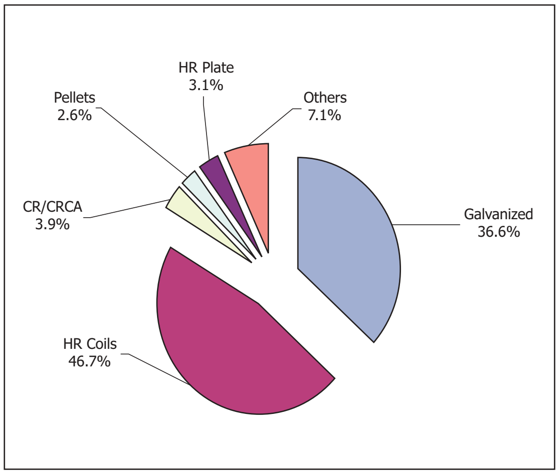
- Rs.6,766.09 crores Gross Sales
- Rs.2,309.75 crores Exports
- Rs.2,129.07 crores EBIDTA
- Rs.1,768.75 crores Cash Profit
- Rs.856.53 crores as Profit after tax
- 34.45% EBIDTA Margin
- Rs.55.57 Earnings per share



How We Spent the Rupee



Revenue Basket (In %) FY 2005-06



INDUSTRY OVERVIEW

Steel is the most widely used metal in the whole world. It is a versatile commodity which forms the core constituent of all major economies. As a result, steel consumption is a derivative of the growth pattern of its various end-user sectors, i.e. manufacturing, housing, infrastructure, automobile etc.

Steel products fall into two main categories, namely flat products and long products. Flat products are derived from slabs and mainly comprise of hot rolled (HR) coils, plates and sheets. Long products derive their name from their shape and are made using billets and blooms, which include rods, bars, pipes, ropes and wires.

There were some signs of evidence of slow down in the global economy in the year 2005 but it continued expanding and sustaining its positive momentum of growth at 3.5% vis-à-vis 4% in 2004. The factors that could be attributed for this slow down were markedly higher oil prices, tightening monetary policy in US/Other countries, steep increase in prices of non-ferrous base metals.

Despite the pressure on the world economic growth due to these factors, the growth potential in the emerging economies and relatively less dependence on petroleum products neutralized the impact of these factors, thus still achieving growth rate of 3.5% in 2005 in the world economy.

GLOBAL SCENARIO

Production

- World Crude Steel Production during the year 2005 grew by 5.9% to 1129.4 million tonne.
- Asia produced approx. 52% of the total Global Crude Steel Production with China contributing approx. 31% Global Production quantity.
- 2006- Estimates : WSD estimates Crude Steel Production to grow by 3.6% to approx. 1170 million tonne.

Consumption

In 2005, Global apparent finished steel consumption increased by about 5% to around 1018 million tonnes. Asia's share is 54% of the total steel consumed in the world. China continues to be a dominant producer and largest consumer of steel in the world.

The slow down in the world economy coupled with supply demand mismatches in certain parts of the world led to a correction in steel prices in the year 2005 and decline in prices was over 30%. The consolidation in the global steel industry and the exceptionally strong opportunities in steel demand in the emerging economies led to an upturn in steel cycle starting from February 2006. It is relevant to note that top 10 steel producers in the world constitute 28.7% of total world steel production in 2004 vis-à-vis 20.7% in 1994. The M & A environment remains robust and strong which once again augurs well for the steel industry.

INDIAN SCENARIO

India is the world's 9th largest steel producer, with a production of approximately 38 million tonnes in FY 05. The steel production is expected to grow from the current 38 million tonnes in FY 05 to 65 million tonnes in FY 2012. (Source : India's National Steel Policy, 2005).

In tandem with the Global Steel Dynamics, Indian steel market witnessed one of the historic downward Price-Corrections during the FY 2005-06 ranging 30% to 40% between April 2005 and February 2006. It is only at the end of January 2006 that positive signals started reflecting but major upturn started by mid of February 2006 onwards.

Indian domestic demand for steel is expected to grow exponentially driven primarily by strong growing sectors namely Automobiles, Housing, Infrastructure, Construction, White goods, etc. These sectors will give further boost to the optimism within domestic steel industry. The strategic advantages India bestowed with is attracting further investment in to Indian steel industry to create incremental capacity through brownfield expansion and greenfield projects.

The thrust and the fillip given in the Union Budget to Infrastructure Building and increased allocations to various projects namely; Bharat Nirman, National Highway Development Programme, Irrigation, Rajiv Gandhi National Drinking Water scheme, National Maritime Development programme, Rural infrastructure development programs, The Jawharlal Nehru National Urban Renewal Mission, Access Controlled Expressways will further increase the steel demand.

OPPORTUNITIES AND THREATS

Opportunities

Compared to the global per capita steel consumption of about 150 kg, India's per capita consumption is only 29 kg. To address this deficiency, the National Steel Policy 2005 envisages steel production to grow at 7.3% CAGR. Steel imports and exports are also slated to grow. Several initiatives in the form of improvement in infrastructure are also expected to boost demand for steel. Demand for HR, CR and Galvanised products is expected to beneficially affect the Company's operations.

The automobile sector is also expected to perform well, leading to increase in demand for steel. India is also considered as one of the manufacturing destinations for steel making globally and the Company is well poised to capitalize these opportunities to meet the domestic as well as international demand.

Threats

The steel industry is characterized by cyclical fluctuations in prices. Downward movement in the steel prices could adversely affect the margins of the company.

The Company is one of the lowest cost producers in the world. The high level of integration in operations, wide range of product mix, locational advantages are the inherent strengths of your Company to pass through the cycles successfully.

In view of the fundamental advantages, Indian Steel industry has, several international players who have shown keen interest to set up large greenfield steel projects in India. Existing players plan of expanding capacity through brownfield, and greenfield projects. This may create over supply situation. However, the growing Indian economy is expected to light up the steel demand absorbing the likely increase in supply from the new projects / Brownfield expansion.

STRENGTHS AND WEAKNESSES OF INDIAN STEEL INDUSTRY ARE AS UNDER :

Strengths

- Strong and Growing economy
- Rich Geological Resource base
- Large consumer base
- Low labour cost and high productivity
- Flexibility of adopting innovative technologies
- Growing Skilled and Technical Human Capital

Weaknesses

- Indian Economy - High reliance on services
- High cost of Finance
- High cost of Energy
- Deficit infrastructure
- High Ash Coal
- Socio-Political interventions
- Less port draft

The strengths outweigh the weaknesses as liberalisation initiatives/reform process taken by the Government of India since 1992 opened up new avenues to overcome these weaknesses and leverage on the strengths. Thus the steel industry continues to look promising.

PERFORMANCE ANALYSIS

Operational Management

The Company has taken several initiatives during the year 2005-06 which resulted in significant increase in volume of production, yield improvement, fuel efficiency. The projects commissioned during 2005-06 were as under :

- Colour coating line with a capacity of 1,00,000 TPA for producing pre-painted galvanised iron in July 2005.
- Lime calcinations plant commissioned in October 2005.

The implementation of Scheme of Amalgamation enabled the company to have captive power and coke, further giving several benefits of synergic. The six sigma initiatives spanning over 11 projects in the Downstream SBU led to achieve a saving of Rs.6.77 crores. The conversion cost especially the fuel, power, Stores consumption, water consumption was better than the industry average.

These initiatives and innovations led to overall improvement in operational performance :

Products	Production (MTPA)		Growth Over
	2005-06	2004-05	previous year
Pellets	3.802	3.62	5%
Slabs	2.250	1.88	20%
HR Coils	2.148	1.78	20%
CR Coils/Sheets	0.845	0.72	18%
Galvanised Coils/Sheets	0.782	0.69	14%
Colour Coated	0.012	-	-

Financial Management

The major milestones achieved during the Financial year 2005-06 were as under :

- Exited from Corporate Debt Restructuring Framework by repayment/pre-payment of the entire outstanding CDR debt and was the first Indian steel company to come out of the CDR.
- Tied up the new debt for expansion project (1.3 MTPA) at 8% p.a. (with a 3 year interest reset) having a tenure of 7 years.
- Repaid/Pre-paid out of internal accruals, Debt aggregating to Rs. 1,014 crores.
- Reduction in the average cost of borrowing from 8.27% p.a. to 8.01% p.a as at 31.3.2006. In spite of increase in interest rates both in the domestic and international market.

- The debt gearing has been brought down to 0.96:1 as at 31.3.2006 from 1.33:1 as at 31.3.2005.
- In spite of volatility in the rupee exchange rate, the Company achieved a rupee dollar exchange rate of Rs. 44.2312 on exports and Rs. 44.2955 on imports. In addition to this, the Company gained Rs. 1.41 crores on various interest rate derivatives and forward covers.
- Sanction of increase in working capital limits of Rs.255 crores for operations.
- The policy of rationalizing cost of debt, progressive pre-payment/repayment of debt and innovative treasury management combined together led to improved financial profile with better debt gearing and financial ratios.

Marketing Management

The proportion of domestic sales as percentage of total sales have gone up to 66% vis-à-vis 53% in the previous year. This establishes the ability of the company to increase its presence through prudent flexible sales mix strategy to maximise investment returns. Similarly, the product mix across the value chain has also undergone change during the year with the objective of enhancing margins. The highlights during the year are as under :

- PPGI products were introduced in 15 different countries.
- 260 customers in 74 countries were served across the globe.
- New markets were developed in Latvia, Czechoslovakia, Greece and Austria.
- Developed special grades customized to suit to the requirements of customers.

The Company continued to enjoy the patronage of numerous prestigious clients due to superior quality of the product and excellent customer relationship. The Company consolidated the position by increasing its share in the domestic market to 10% and 14% in HR and Galvanizing businesses respectively.

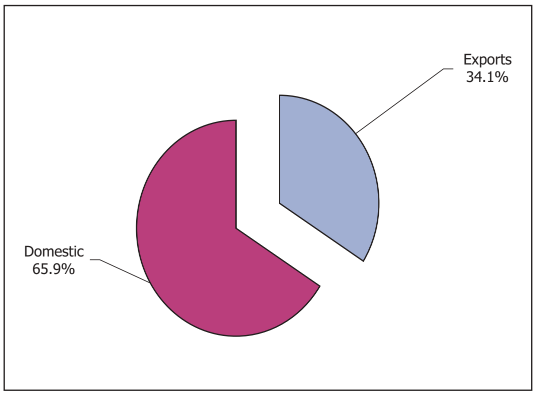
Revenue

The total revenue for the financial year 2005-06 was Rs.6,766.09 crores. Upstream SBU has marketed 0.5 million tonnes of pellets and 1.189 Million tonnes of HR Coils, while 0.919 million tonnes of HR Coils were used by the Downstream SBU for value addition into CR/CRCA/Galvanised products. The Downstream SBU has also sold 0.762 million tonnes of Galvanised products, 0.008 million tonnes PPGI products and 0.084 million tonnes of CRCA, 0.074 million tonnes of HR plates.

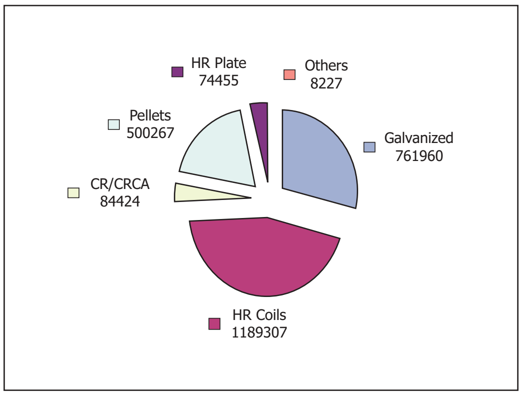
The export turnover was Rs.2,309.6 crores accounting for 34% of total sales majorly contributed by the value added products.

The sales realisations have fallen on year to year basis by 12% in HR coils, 16% in GPGC products and 26% in pellets, while the increase in volumes contributed to total revenues.

Turnover (In %) FY 2005-06



Turnover (in tonnes) FY 2005-06



Cost

While realisations started falling from April 2005 to February 2006, certain raw material prices continued to be higher during the Financial Year 2005-06.

There was a phenomenal increase in the prices of iron ore, coal and freight.

The falling sales realisation and raising input cost exerted tremendous pressure on operating margins. The availability of captive power, operational efficiencies, volume growth neutralized to a certain extent, the impact of falling price realizations and increasing input cost. EBIDTA margin excluding other income arising due to disinvestment of shares in JSW Energy Ltd. was 28.48% comparable with some of the best companies in the world.

The expansion to increase capacity of Crude steel (1.3 MTPA) Pellet (0.8 MTPA) and HR Coils (0.5 MTPA) are underway and on completion by 2nd quarter of 2006-07. These projects will bring additional synergies in operation and further volume growth.

Profitablity

The net sales realization across all the products have fallen during the FY 2005-06. The company achieved reduction in the overall cost of production inspite of increase in certain input costs. The earnings before interest depreciation and tax (EBIDTA) for the year was 28.48% of the net sales excluding profits of Rs.369.20 Crores accruing on account of disinvestment of shares in JSW Energy Limited vis-à-vis 35.4% in the FY 2004-05. The comparative EBIDTA for the current year vis-à-vis previous year are given here under.

Summary of EBIDTA Margins

Rs. in crores

Products	2005-06	2004-05	Deviation
Pellets	88.04	279.43	(191.39)
Slabs	-	26.22	(26.22)
HR Coils	962.69	993.58	(30.89)
HR Plates	40.14	6.67	33.47
CR/CRCA	61.10	36.45	24.65
GP/GC	522.45	815.92	(293.46)
One time Export Incentive	79.27	193.31	(114.04)
Other Income	6.18	14.26	(8.08)
Sub-Total	1,759.87	2,365.83	(605.96)
EBIDTA %	28.48	35.42	-6.94
Profit on Sale of Investments	369.20	-	369.20
Total	2,129.07	2,365.83	(236.76)
EBIDTA %	34.45	35.42	(0.97)

A major portion of drop in EBIDTA margin (without profit on sale of disinvestments) to the extent of 6.9% was accounted by lower one time export incentives (1.31%), lower pellet sales volume and realisations (2.19%) and drop in sales realisations in galvanising business (3.36%). There were no sale of slabs to third parties in the year 2005-06. The surplus slabs have been converted to HR plates, thus giving additional EBIDTA contribution. While CRCA business has given an additional contribution, the volume growth and cost reductions in the HR coil business has cushioned to a large extent the drop in selling price.

The interest costs for the year has come down by 23% at Rs.360.22 crores as against Rs.469.87 crores for the previous year. The net profit including the profit on sale of disinvestment of shares was Rs.856.53 crores for the Financial Year under review.

Gross Block

Gross block has gone up to Rs.8,368.43 crores from Rs.7,520.30 crores mainly on account of addition due to merger of three companies as per the Scheme of Amalgamation and Normal capex incurred due to number of in-house improvisations during the year. The other expansion projects involving costs aggregating to Rs.1,600 crores will add to the gross block on commencement of commercial production during the FY 2006-07.

Capital Employed

The rationalisation of Capital Employed is an ongoing process in the company. The capacity expansion at low specific investment cost per ton and aggressive debt repayment and pre-payments are the main drivers for rationalisation of capital employed. The Capital Employed as on 31.3.2006 was Rs.7,929.60 crores.

Outlook

Global demand for steel is expected to grow 4 to 5% annually and the domestic demand is expected to be higher than GDP growth rate of around 8% p.a. The theme of consolidation in world steel industry is a welcome sign and it is expected to bring stability in prices. India is the preferred destination for steel manufacturers to set up facilities not only to meet domestic demand, but also to become steel manufacturing hub for supplying steel across the world. India has the advantage in terms of iron ore deposits and skilled manpower. This is an added advantage to the Company as the Company is an important player in the domestic steel market. Steel demand is set to increase, both in India and abroad. India is equipped to deal with such increase in demand.

JSW Steel is set to capitalize these opportunities and has taken the following initiatives :

- Significant volume growth (1.3 MTPA) due to commissioning of Crude steel expansion project by second quarter of FY 2006-07.
- Pellet plant capacity expansion (0.8 MTPA) is expected to be fully operational by end of June 2006.
- Hot Strip Mill Rolling capacity to go up to 2.5 MTPA from 2.0 MTPA from June 2006 which is currently under shut down for around 30 days for modernisation and capacity enhancement.
- Implementation work to set up 1 MTPA CRM complex is in full swing and is expected to be on stream by early FY 2007-08.
- Hot Metal capacity expansion in existing BFI by 0.2 MTPA and further capacity enhancement in Hot Strip Mill from 2.5 MTPA to 3.2 MTPA have been initiated and will be operational in FY 2007-08.
- Close to achieving financial closure to set up 2.8 MTPA expansion project by March 2009.

The Company is raising an incremental debt of Rs.3,600 crores to complete these expansion projects and the balance to be met out of cash accruals/equity. The company's capital raising program are structured in such a manner that the debt gearing of the company does not exceed 1 (one) even after raising the incremental debt.

Risk and Concerns

The major concerns are volatility in steel prices, cyclical nature of the industry, regulatory interventions, dwindling export incentives and currency fluctuations. A factor leading to volatility is the increased integration of global and domestic markets. There is a boom in capacity expansion and this could create demand-supply imbalance. Increase in input costs is another major concern.

The theme of consolidation, increased M & A Activity in the Steel sector are expected to bring down the volatility in prices.

The Company has taken measures to derisk the operations. The company has taken up vertical integration by having long term arrangement with suppliers for key inputs like iron ore, oxygen and coal etc. Certain other inputs viz. Power, Coke, Lime are available from inhouse facilities. The Company manufactures a wide range of products like pellets, slabs, HR coils, HR Plates, CRCA, Galvanized coils and colour coated products with a flexibility to increase or reduce supplies in line with market dynamics.

The Company has a judicious mix of export and domestic sales so as to avoid over dependency on any market. This maintains a natural hedge against exchange rate movements. The increase in the scale of operations is being made at low specific investment cost per ton. The Company is focused on the use of IT and advanced technologies for operational efficiencies.

The Company has also hired professionals in order to establish a Risk Management framework aligned to the business objectives in line with the best practices in the industry.

INTERNAL AUDIT, CONTROL AND THEIR ADEQUACY

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

- Safeguarding the Company's assets/resources and protecting them from any loss.
- Ensuring the integrity of the accounting system, proper authorization, recording and reporting of all transactions.
- Ensuring reliability of all financial and operational information.

The effective control environment of the Company improves control consciousness of the employees. The proposed institutionalizing of Risk Management processes will further strengthen the internal control system. The Company's internal control system comprises of Budgetary control, well-documented policies, guidelines, authorities and approval procedures covering 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 well-defined online authorization 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.
- Responses and corrective action coupled with a comprehensive follow through.

This is reinforced with a comprehensive Management Information System, which comprises 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 relating to them. The Company has successfully integrated the COSO (Committee of Sponsoring Organizations of the Tread way 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 to CEO and the Audit Committee. The 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 Concurrent auditors present a summary of the significant audit observations and related actions periodically to the Audit Committee comprising Independent/Nominee Directors.

HUMAN RESOURCES (HR)/INDUSTRIAL RELATIONS

A Company is, ultimately, its people. The most advanced facilities rely on human skill and judgement. Systems can regulate, but they need the human touch to animate them, to infuse them with life.

Much of JSW's excellence springs from its bedrock of top quality talent. JSW is a beacon for some of the country's finest young minds. Talent at JSW is carefully selected, nurtured and sustained, with one goal in mind to add value to our operations. For, when only the best will do for our customers, only the best will do for us.

Excellence breeds excellence. Performance-focussed, value creating, world class HR systems and techniques are designed to lead our people to realise their full potential. Our employees constantly undergo training to keep them abreast of the latest trends in technology. This ensure that JSW is constantly at the cutting edge of technological development. The freedom offered by our unique work culture encourages them to experiment, to innovate, to challenge limits and emerge as winners.

The focus of Human Resources is clearly on achieving Job satisfaction amongst the Work Force. Great emphasis is laid on Employee Morale and Motivation. It has always been a sincere effort by HR to create a very conducive and a healthy working Environment and to endorse Positive Work Culture. Our evaluation systems focus on sustaining

and constantly reinvigorating mindsets. Motivation is kept at a high level through performance linked rewards. Leadership potential is identified and groomed to take on the challenges of future. This puts in place a seamless succession system, sustaining the professionalism that has made the Company a leader. HR ensures that, Employees are adequately rewarded and recognized for their Innovation and Creativity, Exemplary Work, Bravery and Courageous act in different forums.

In any Industry, Industrial harmony is the prime factor required for smooth and effective functioning of the organization. JSW Steel has created a very congenial atmosphere for the employees to work in harmony wherein they may share their grievances and problems openly. The company has a union free environment with a highly motivated and dedicated work force with creative abilities. They have a good team work and achieve the set targets on time. Implementing high level discipline in the employees at work for the mutual benefit of the Individual and the Organisation as well, is another Core HR Initiative.

To facilitate in sharing the Grievances and issues, JSW Steel has the following best HR practices:

a) Interaction with employees at Shop floor by HR Staff to know the Grievances and issues, if any, periodically.

b) Senior Officials will have interaction sessions where open discussions takes place.

c) JMD & CEO will have open door sessions on every Saturday. Any employee may walk in to him and discuss the issues.

Holistic employee care includes a range of welfare measures which cover employees families too. Health services, counselling, education facilities- all these play a vital role in motivation. These consist of:

- A beautiful Township with a perfect ambience has been built with world class facilities at Vidyanagar housing more than 800 Employee Families. The Township was also the recipient of Prime Minister's National Award for Excellence in Urban Planning and Design for the year 1998-99. 285 Houses are under Construction out of which 210 will be ready for occupation by July-2006 and the rest of the Houses will be ready by February-2007.
- A full-fledged Sports Club with facilities is provided with both Indoor and Outdoor games such as Table Tennis, Lawn Tennis, Badminton, Squash, Swimming Pool, Gymnasium & a Yoga hall
- A separate Township has been built to cater to the needs and welfare of the Partners in Progress (Outsourced Employees) which houses 608 families. It has been named as Vijay Vittal Nagar. 1200 more houses are under construction out of which 400 will be ready by May-2006 and the rest of 800 Houses will be ready for occupation between October-2006 and February-2007.
- 70 beds Multi specialty Hospital with state-of-the-art Facilities is in place providing medical support round the clock to both employees and the surrounding Villages. A number of free Medical Camps such as eye check up, Blood donations etc. are conducted for the benefit of local community.

If people are critical in the present scheme of things, they will have an even more vital role in the future as JSW accelerates its knowledge thrust. Tomorrow, the bar is going to be raised higher, the canvas of opportunity will grow wider and the demands more daunting. But we are confident that our talent will triumph. After all, people will always be our prime movers.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR policy reflects the commitment to excel to be the best corporate citizen in the country, with due regard to its responsibility to include the workforce, communities and environment in which the Company operates as partners in progress. The Company gathers local community needs through involvement of employees and linking business goals with social initiative goals. In order to have a focussed and long-term approach, all the CSR initiatives are brought under one institution called JSW Foundation. The development initiatives, independent or in collaboration with others, touches all spheres of human life.

During the year 2005-06, to enhance the quality of Primary school children's education, Computer Assisted Learning Centers are set up in 9 schools benefiting around 4000 children. Opening up of 25 Child centers in surrounding 17 villages provided an enterprise opportunity for talented local unemployed girls. Introduction of mobile library and Accelerated Learning programme helped 700 pre primary children and 1200 primary children. Provision of plates and tumblers for the children of mid day meal programmes, developing school infrastructure in Talur, Joga, Sultanapura and Vaddu villages, sponsoring sports and cultural activities in surrounding schools have further strengthened this objective.

Socio-economic empowerment of women is being done through setting up of rural BPOs, training and employing young girls in 'male oriented jobs' like crane, pay loader, and pump operators, dumpers, electricians etc. Through formation of women societies, they are also being encouraged to take up individual and group enterprises like nursery, jatropha cultivation and garbage handling.

To encourage unemployed youth to acquire skills, courses like tailoring, welding and gas cutting, electrical, masonary were conducted at vocational training center during the reporting year.

Sports persons and athletics are being nurtured through providing scholarships, conducting sports camps, formation of academy etc. Twelve volleyball players from the district of Bellary have been selected and a regular Volleyball Coach has been appointed to impart training to these players. He also works for the development of sports in the villages. The team has won several tournaments and very recently it has added one more feather to its cap by winning gold medal in All India Steel Volley ball meet.

Jindal Sanjivani Hospital (JSH), Torangallu extended free service to the community by organizing eye, dental and general health check-up camps on regular basis. HIV/AIDS awareness training covered JSW Steel regular and outsource employees, truckers and surrounding villages.

MoU has been signed with Karnataka Government to take up restoration work at Hampi heritage site.

The project of providing drinking water to surrounding 14 villages from Daroji Tank has been initiated during the reporting year.

ENVIRONMENT MANAGEMENT

The Company is making continuous efforts towards improving the quality of environment inside the plant and in the surrounding areas. At JSW Steel, the focus is on sustainable development – establishing equilibrium between our economic, environmental and social performance. The Company has focused on maintaining a clean and safe environment at all the operating sites.

During expansion activity, all the projects are planned and designed keeping in view their environmental compatibility and compliance to standards.

In the current year, a number of environmental facilities were updated/ renovated/augmented for improving the overall environmental performance of the plant and some of them are;

- Mixer dedusting system at BOF/CCP
- Additional dedusting systems at Corex
- Dedusting systems for packing & material handling at cement plant.
- Use of waste arising for building the slime pond, which holds the tailings from beneficiation plant.

With greater focus on the maintenance of pollution control equipment, the concentration of dust in air emissions has been brought down to 52 mg./Nm3, against the statutory norm 150 mg/Nm3. The de-dusting system has been installed in COREX cast houses to reduce fume generation, scrubbers were augmented with bag filters to increase their efficiency. Online monitoring for our stacks is in place, while for ambient air monitoring, monitoring stations exists on site and in surrounding villages.

The Company is one of the integrated Steel Plants working on zero discharge concept by recycling treated effluents back in the process. The water consumption has been maintained at 3.32 m3/tcs, as against the CREP limits of 8.0 m3/tcs for flat products.

The use of solid wastes has been increasing over the years and is at nearly 88% due to implementation of various environmental management practices. Various waste materials like mill scale sludge from Corex, Blast Furnace & BOF, CDP dust, lime dust etc. are used back in process thus replacing the raw materials.

As an environmentally responsible organization, it is ensured that more than 36% of the operational area is a green zone.

A dedicated energy cell monitors our energy performance and implements various initiatives for reducing energy consumption. In line with this, it is started to store and consume BOF gases, which helped to reduce annual coal consumption by 64,000 tonnes. A 100 MW gas based power plant was set up to increase Corex Gas utilization and to consume surplus blast furnace gas.

The Company's focus is not limited to compliance to the regulations, but is aimed 'beyond compliance'. The company is certified to Environment Management Systems, ISO -14001, which drives all the efforts towards continuous improvement. The efforts towards environment management have been recognized and the Company has been awarded 'Greentech Gold award' in the metal sector by Greentech Foundation for the outstanding achievement in the area of environment management.

CAUTIONARY STATEMENT

In this Management's Discussion and Analysis we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement 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 system, process and technology. The Company combines leading edge technology and innovation with superior application and customer service skills.

The Company is committed to pursue growth by adhering to the highest standards of Corporate Governance.

The Company aims to maximise shareholder value through achieving business excellence. The Company is driven by the demands of its customers and it cares to meet their needs. A nation wide marketing network and consignment agents ensure availability of its products in different parts of the country. The Company is committed to maintain international quality standards, efficient delivery schedule, competitive prices and excellent after-sales service.

The Company is also committed to its social initiatives . The Corporate philosophy of the Company has helped in adding value to the interest of its stakeholders viz, customers, employees and owners in a socially responsible way.

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

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

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.

c) Whistle Blower Policy

The Company 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. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees of the Company to approach the Chief General Manager and Company Secretary / Director Finance or Audit Committee of the Board as the case may be to safeguard them against victimisation.

2. BOARD OF DIRECTORS

2. 1. Composition:

The Board of Directors as at 31.03.2006 comprises of 13 Directors, of which 10 are non-executive. The Chairman is non-executive and the number of independent Directors i.e. those who have no business relationship with the Company is 7. The composition 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
Mr. I.M. Vittala Murthy, 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. K.V. Krishnamurthy	Nominee of IDBI (Lender)
Mr. S. Jambunathan, IAS (Retd.)	Nominee of UTI Asset Management Company Pvt. Ltd. (Lender)
Total No. of Directors = 13	

2. 2. Meetings and attendance record of each Director:

7 Meetings of the Board were held on the following dates during the year ended 31st March, 2006.

1. 18th April, 2005
2. 9th May, 2005
3. 13th June, 2005
4. 22nd July, 2005
5. 23rd July, 2005
6. 20th October, 2005
7. 20th January, 2006

The attendance record of the Directors at the Board Meetings held during the financial year ended on 31st March, 2006 and the last Annual General Meeting (AGM) and the details of other Directorships and Committee Chairmanships and Memberships held by the Directors of the Company 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					
Mr. Sajjan Jindal	7	Y	5	Nil	Nil
Dr. B. N. Singh	7	Y	Nil	Nil	Nil
Mr. Seshagiri Rao M.V.S	7	Y	1	Nil	Nil
Mr. I. M. Vittala Murthy IAS	3	N	8	Nil	Nil
Dr. S. K. Gupta	7	Y	6	3	2
Part of the Year					
Mrs. Savitri Devi Jindal (from 18.04.2005)	None	N	7	Nil	Nil
Mr. Anthony Paul Pedder (from 18.04.2005)	6	Y	Nil	Nil	Nil
Dr. Vijay Kelkar (from 09.05.2005)	5	Y	8	2	Nil
Mr. Sudipto Sarkar (from 09.05.2005)	3	Y	1	Nil	2
Mr. S. Jambunathan (from 09.05.2005)	5	Y	1	2	Nil
Mr. K.V. Krishnamurthy (from 14.07.2005)	4	N.A.	6	4	1
Mr. Uday M. Chitale (from 20.10.2005)	2	N.A.	4	3	1
Mrs. Zarin Daruwala (from 13.12.2005)	1	N.A.	Nil	Nil	Nil
Mr. P. R. Jindal (upto 14.04.2005)	None	N.A.	N.A.	N.A.	N.A.
Mr. R. N. Roy (Upto 13.07.2005)	3	Y	N.A.	N.A.	N.A.
Dr. Ramaswamy P. Aiyar (Upto 23.07.2005)	None	N	N.A.	N.A.	N.A.
Mr. N. Gokulram, IAS (Upto 25.07.2005)	None	N	N.A.	N.A.	N.A.
Mr. S. David Chandrasekaran (Upto 20.09.2005)	5	Y	N.A.	N.A.	N.A.
Mr. Raman Madhok (Upto 07.11.2005)	5	Y	N.A.	N.A.	N.A.
Mr. Balaji Swaminathan (Upto 12.12.2005)	2	Y	N.A.	N.A.	N.A.

* 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, 2006 on 18.04.2005, 21.07.2005, 20.10.2005 and 19.01.2006. The Constitution of the Committee as at 31.03.2006 and the attendance of each Member is as given below:

Sl. No.	Name of the Director	No. of Meetings attended
1	Mr. Uday M. Chitale (from 20.10.2005)	1
2	Mrs. Zarin Daruwala (ICICI Nominee) (from 13.12.2005)	None
3	Mr. K.V. Krishnamurthy (IDBI Nominee) (from 14.07.2005)	3
4	Dr. S.K. Gupta (from 18.04.2005)	3
5	Mr. R.N. Roy (IDBI Nominee) (upto 13.07.2005)	1
6	Mr. Balaji Swaminathan (ICICI Nominee) (upto 12.12.2005)	2
7	Dr. Ramaswamy P. Aiyar (upto 23.07.2005)	None

Audit Committee consists of 3 Independent directors and 1 non-independent director. They possess adequate knowledge of Accounts, Audit, Finance, etc. Mr. Uday Chitale is the Chairman of the Audit Committee.

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

iii) The present composition of the Audit Committee after it was last reconstituted on 20.10.2005 is as follows:

Sl. No.	Name of the Director
1	Mr. Uday M. Chitale (Chairman)
2	Dr. S.K. Gupta
3	Mr. K.V. Krishnamurthy (IDBI Nominee)
4	Mrs. Zarin Daruwala (ICICI Nominee)

iv) The Broad terms and reference of Audit Committee are to review the financial statements before submission to Board, to review reports of the Concurrent Auditors and Internal Audit department and to review the weaknesses in internal control reported by Concurrent, 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 met once during the year ended on 31st March, 2006 on 21.07.2005. The Constitution of the Committee as at 31.03.2006 and the attendance of each Member is as given below:

Sl. No.	Name of the Director	No. of Meetings attended
1	Mr. Uday M. Chitale (from 20.10.2005)	N.A.
2	Mrs. Zarin Daruwala (ICICI Nominee) (from 13.12.2005)	N.A.
3	Mr. K.V. Krishnamurthy (IDBI Nominee) (from 14.07.2005)	1
4	Dr. S.K. Gupta (from 18.04.2005)	1
5	Mr. Balaji Swaminathan (ICICI Nominee) (upto 12.12.2005)	1
6	Dr. Ramaswamy P. Aiyar (upto 23.07.2005)	None

The present composition of the Remuneration Committee after it was last reconstituted on 20.10.2005 is as follows:

Sl. No.	Name of the Director
1	Mr. K.V. Krishnamurthy (IDBI Nominee) (Chairman)
2	Dr. S.K. Gupta
3	Mr. Uday M. Chitale
4	Mrs. Zarin Daruwala (ICICI Nominee)

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.

4.1 Remuneration Policy:

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 organizational 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 only sitting fees. It is also proposed to pay commission as detailed below to Non-Executive Directors with effect from 1st April, 2005 subject to necessary approvals.

Sl. No.	Name	From	To	Commission Payable (Rs.)
1	Mrs. Savitri Devi Jindal	18-Apr-05	31-Mar-06	7,62,740
2	Dr. S.K. Gupta	1-Apr-05	31-Mar-06	13,75,000
3	Mr. I.M. Vittala Murthy, IAS (KSIIDC Nominee)	1-Apr-05	31-Mar-06	10,25,000
4	Mr. N. Gokulram, IAS (KSIIDC Nominee)	1-Apr-05	25-Jul-05	2,54,247
5	Mr. K.V. Krishnamurthy (IDBI Nominee)	14-Jul-05	31-Mar-06	9,57,808
6	Mr. R.N. Roy (IDBI Nominee)	1-Apr-05	13-Jul-05	4,67,193
7	Mr. Balaji Swaminathan (ICICI Nominee)	1-Apr-05	12-Dec-05	7,71,164
8	Mrs. Zarin Daruwala (ICICI Nominee)	13-Dec-05	31-Mar-06	3,28,836
9	Mr. A.P. Pedder	18-Apr-05	31-Mar-06	12,12,740
10	Mr. S. Jambunathan, IAS (Retd.) (UTI Nominee)	9-May-05	31-Mar-06	10,91,712
11	Dr. Vijay Kelkar	9-May-05	31-Mar-06	10,91,712
12	Mr. Sudipto Sarkar	9-May-05	31-Mar-06	9,41,712
13	Mr. Uday M. Chitale	20-Oct-05	31-Mar-06	5,54,589
14	Mr. S. David Chandrasekaran (LIC Nominee)	1-Apr-05	20-Sep-05	7,54,178
15	Mr. P.R. Jindal	1-Apr-05	14-Apr-05	30,685
16	Dr. Ramaswamy P. Aiyar	1-Apr-05	23-Jul-05	2,65,479
	TOTAL			**1,18,84,795**

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

4.2 Remuneration of Directors:

The disclosure in respect of remuneration paid/payable to the Whole-time Directors of the Company for the financial year 2005-06 is given below:

Name of Director	Salary & Perks (Rs. in crs.)	Commission (Rs. in crs.)	Present Period of Agreement	Notice Period
Mr. Sajjan Jindal Vice Chairman & Managing Director	2.73	4.74	07.07.2002 to 06.07.2007	Not applicable
Dr. B. N. Singh Jt. Managing Director & CEO	0.73	—-	13.10.2003 to 12.10.2008	6 months from Co.'s side, 3 months from the Director's side.
Mr. Raman Madhok Jt. Managing Director & CEO (upto 07.11.2005)	0.81	—-	04.02.2005 to 03.02.2010 (Resigned w.e.f. 07.11.2005)	3 months from either side
Mr. Seshagiri Rao M.V.S Director (Finance)	0.48	—-	06.04.2004 to 05.04.2009	3 months from either side.
TOTAL	**4.75**	**4.74**		

Note : a) 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.

b) The Non-Executive Directors did not draw any remuneration from the Company. Sitting fees to Non-Executive Directors is being paid at the rate of Rs. 20,000 for each meeting of the Board and sub-committees attended by them.

As on 31st March, 2006, 5682 shares and 2091 shares are held by Mrs. Savitri Devi Jindal and Dr. S.K. Gupta, Non-Executive Directors of the Company.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee met twice during the year ended on 31st March, 2006 on 20.10.2005 and 29.03.2006. The Constitution of the Committee as at 31.03.2006 and the attendance of each Member is as given below:

Sl. No.	Name of the Director	No. of Meetings attended
1	Mr. K.V. Krishnamurthy (IDBI Nominee)	2
2	Mrs. Zarin Daruwala (ICICI Nominee) (from 13.12.2005)	None
4	Dr. S.K. Gupta	2
5	Mr. Uday M. Chitale	1
6	Mr. Balaji Swaminathan (ICICI Nominee) (upto 12.12.2005)	None

The present composition of Shareholders/Investors Grievance Committee after it was last reconstituted on 20.10.2005 is as follows:

Sl. No.	Name of the Director
1	Mr. K.V. Krishnamurthy (IDBI Nominee) (Chairman)
2	Mrs. Zarin Daruwala (ICICI Nominee) (from 13.12.2005)
3	Dr. S.K. Gupta
4	Mr. Uday M. Chitale

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 .
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. Mehernosh H. Kapadia, Chief General Manager & Company Secretary is the Compliance Officer. His address and contact details are as given below:

Address : Victoria House, Pandurang Budhkar Marg, Lower Parel, Mumbai - 400 013.
Phone : 022-24917973
Fax : 022-24917933
E-mail : mehernosh.kapadia@jsw.in

No. of Shareholders' Complaints received during the year ended 31.03.06: 26186

Number not solved to the satisfaction of Shareholders: Nil

No. of pending Complaints: 23

*No. of pending Share Transfers as on 31.03.2006: Nil

*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
9th AGM	09.07.2003	12.00 Noon	Regd. Office: P.O. Toranagallu, Sandur Taluk, Bellary District, Karnataka - 583 123.
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.

No. of Special resolutions passed during last 3 AGMs

AGM	No. of Special Resolutions
11th AGM	2
10th AGM	2
9th AGM	2

No Special Resolutions have been put through by postal ballot by the Company during Financial Year 2005-06. 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. that would 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 period under review.

The Whistle Blower Policy (WBP) has been adopted by the Company to report to management concerns about, unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. WBP also provides safeguards against victimization of the employees who avail of the mechanism and no personnel has been denied access to the Audit Committee.

The Company has complied with the mandatory requirement of this clause and has also adopted the Whistle Blower Policy which is a non mandatory requirement of this clause.

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 F.Y. 2005-06 were published as detailed below:

Quarter (F.Y. 2005-06)	Date of Board Meeting	Date of publication	Name of the Newspaper
1	22.07.2005	23.07.2005	Financial Express Tarun Bharat
2	20.10.2005	21.10.2005	Maharashtra Times (Marathi edition) Economic Times
3	20.01.2006	21.01.2006	Business Standard Daily Sagar (Marathi edition)

Three presentations were made to analysts during the financial year 2005-2006 on 26th July, 2005, 20th January, 2006 and 27th March, 2006 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	:	25th July, 2006, 2.30 p.m.
Venue	:	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai - 400 020.
Date of Book Closure	:	17th June, 2006 - 24th June, 2006 (both days inclusive)
Dividend Payment date	:	26th July, 2006

Financial Calendar 2006-07:

First quarterly results	:	July, 2006
Second quarterly results	:	October, 2006
Third quarterly results	:	January, 2007
Annual results for the year ending on 31.03.2007	:	April, 2007
Annual General Meeting for the year 2007	:	June / July 2007

Listing of Securities

The following securities are listed as on 31st March, 2006:

a. Equity Shares:

15,69,75,517 Equity Shares of your Company are presently listed on the following Stock Exchanges:
Bangalore Stock Exchange Limited
Bombay Stock Exchange Limited
National Stock Exchange of India Limited

b. Preference Shares:

27,90,34,907 Preference shares of your Company are presently listed on the following Stock Exchanges:
Bangalore Stock Exchange Limited
Bombay Stock Exchange Limited
National Stock Exchange of India Limited

The Company has paid Annual Listing Fees to each of the above Stock Exchanges for the financial years 2005-06 and 2006-07.

c. Debentures:

The following debentures issued by erstwhile JSW Power Limited are now listed on Bombay Stock Exchange Limited in the name of your Company pursuant to the scheme of amalgamation of Euro Ikon Iron & Steel Private Limited, Euro Coke & Energy Private Limited and JSW Power Limited sanctioned by the High Court of Mumbai on 30.9.2005.

600, 8.5% Non-Convertible Debentures of Rs. 10 lakhs each aggregating to Rs. 60 crores.

100, 8.5% Non-Convertible Debentures of Rs. 10 lakhs each aggregating to Rs. 10 crores.

Stock Code:

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

ISIN No. for Dematerialisation of listed shares/debentures:

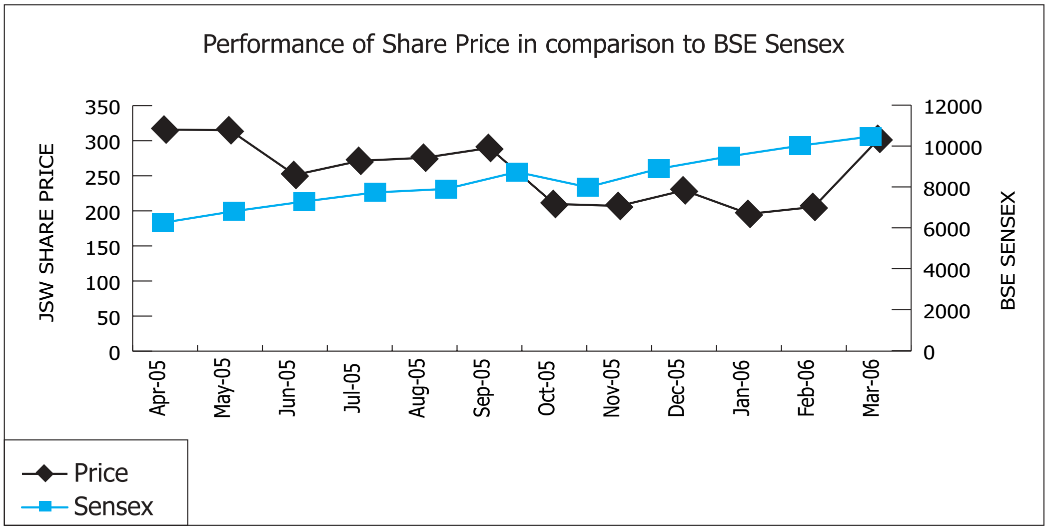
Equity : INE019A01020
Preference : INE019A04016
Debentures : INE548G07014 INE548G07022

Market Price Data

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

Month (2005-06)	**Quotation at Bangalore Stock Exchange Ltd.**		**Quotation at Bombay Stock Exchange Ltd.**		**Quotation at National Stock Exchange of India Ltd.**	
	High (Rs.)	**Low (Rs.)**	**High (Rs.)**	**Low (Rs.)**	**High (Rs.)**	**Low (Rs.)**
Apr, 2005	Nil	Nil	396.35	313.35	396.50	312.50
May, 2005	Nil	Nil	346.60	294.10	349.00	295.00
Jun, 2005	Nil	Nil	317.00	246.00	317.00	245.55
Jul, 2005	Nil	Nil	284.00	246.00	282.25	247.15
Aug, 2005	Nil	Nil	296.45	264.15	296.30	261.00
Sep, 2005	Nil	Nil	324.00	270.00	307.50	269.50
Oct, 2005	Nil	Nil	300.00	200.00	299.40	199.50
Nov, 2005	Nil	Nil	228.70	200.65	229.40	201.05
Dec, 2005	Nil	Nil	238.80	203.80	239.70	203.55
Jan, 2006	Nil	Nil	255.10	195.00	239.80	195.50
Feb, 2006	Nil	Nil	213.00	183.50	213.00	184.05
Mar, 2006	Nil	Nil	313.80	200.65	350.00	200.10

Performance of Share Price in comparison to BSE Sensex:



Registrar & Share Transfer Agents:

Karvy Computershare Pvt. Ltd.
Karvy House, 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034.
Tel.: (040) 23420815-824
Fax: (040) 23420814
E-mail : svraju@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, 2006 is given below:

Sl. No.	No. of Equity shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1	Upto – 5000	659608	99.16	16109891	10.26
2	5001 – 10000	3234	0.49	22951690	1.46
3	10001 – 20000	1232	0.19	1732570	1.11
4	20001 – 30000	405	0.06	998110	0.64
5	30001 – 40000	172	0.02	602081	0.38
6	40001 – 50000	102	0.02	472583	0.30
7	50001 – 100000	223	0.03	1523261	0.97
8	>100001	242	0.03	133241852	84.88
	TOTAL	**665218**	**100.00**	**156975517**	**100.00**

Categories of Shareholders as on 31.03.2006:

Category	No. of Holders	No. of Shares	% of holding
Promoters	230	70537082	44.93
NRI	14430	1933233	1.23
FII	46	27941798	17.80
OCB	10	88861	0.06
FBC	2	11591685	7.38
IFI	10	7509553	4.78
IMF	52	5331402	3.40
Banks	26	2076015	1.32
Employees	3400	121311	0.08
Bodies Corporate	3613	8117605	5.17
Public	643358	21372623	13.62
Trust	41	354349	0.23
TOTAL	**665218**	**156975517**	**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. 14,71,12,404 Equity Shares aggregating to 93.72 % of the total Equity Capital is held in dematerialised form as on 31st March, 2006 of which 91.04% (14,29,08,165 Equity Shares) of total equity capital is held in NSDL and 2.68% (42,04,239 Equity Shares) of Total equity capital is held in CDSL as on 31st March, 2006.

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

There are no GDRs / ADRs or Warrants or any other convertible instrument which are pending for conversion into equity shares.

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

Plant Locations:

Vijayanagar Works	:	P.O. Toranagallu, Sandur Taluk, Bellary Dist., Karnataka – 583 123.
Vasind Works	:	Vasind, Shahapur Taluk, Thane District, Maharashtra – 421 604.
Tarapur Works	:	Tarapur, MIDC Boisar, Thane District, Maharashtra – 401 506.

Address for Investor Correspondence:

Registrar & Share Transfer Agents
Karvy Computershare Pvt. Ltd., Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.
Tel.: (040) 23420815-824 Fax: (040) 23420814

JSWSL Investor Relation Centre
Victoria House, Pandurang Budhkar Marg, Lower Parel, Mumbai – 400 013.
Tel: (022) 24927000 Fax: (022) 24917933

Declaration for Code of Conduct:

The declaration by Joint Managing Director and CEO affirming compliance of Board members and senior management personnel to the Code is annexed herewith.

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 also annexed herewith.

DECLARATION FOR 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 applicable with effect from 31.12.2005 for the quarter ended 31st March, 2006.

For **JSW Steel Limited**

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

Place : Mumbai
Date : 19th April, 2006

CHIEF EXECUTIVE OFFICER (CEO) & 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 has 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.

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

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

Place : Mumbai
Date : 19th April, 2006

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, 2006, as stipulated in Clause 49 of the Listing Agreements 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 Agreements.

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

For **LODHA & CO.**
Chartered Accountants

R. P. Baradiya
Partner
(Membership No. 44101)

Place : Mumbai
Date : 19th April, 2006

AUDITORS' REPORT

To
The Members
JSW Steel Limited

1. We have audited the attached Balance Sheet of JSW STEEL LIMITED (Formerly Jindal Vijayanagar Steel Limited) as at 31st March, 2006, the Profit and Loss Account and also 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

   (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 Act, to the extent applicable.

   (e) On the basis of written representations received from directors as on 31st March, 2006, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act.

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with 'Significant Accounting Policies and Notes to Accounts' in Schedule 19 and other notes appearing elsewhere in the accounts, give the information required by the Act 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 31st March, 2006;

      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 **LODHA & CO.**
Chartered Accountants

R.P. BARADIYA
Partner
(Membership No. 44101)

Place : Mumbai
Date : 19th April , 2006

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of Auditor's Report of even date on the financial statements for the year ended 31st March, 2006)

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
   b) The assets have been physically verified by the management in accordance with the phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the year.
   c) No substantial part of the fixed assets has been disposed off during the year.
2. a) The inventory has been physically verified by the management at reasonable intervals during the year. Inventory lying with third parties and in transit have been verified by the management with reference to the confirmations received from them and/or subsequent receipt of goods.
   b) As the Company's inventory of raw materials comprises mostly of bulk materials such as coal, coke, pellets etc. requiring technical expertise for quantification, the Company has hired an independent agency for the physical verification of the stock of these materials. Considering the above, in our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
3. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
   b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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 alternative sources do not exist for obtaining comparable quotations, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
   (b) In our opinion, having regard to our comments in para 4 above and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements aggregating during the year to Rs.5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. No deposits within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder have been accepted by the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Order of the Central Government under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed records have been made and maintained. We are, however, not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service tax, Customs Duty, Wealth Tax, Excise Duty, Cess which have not been deposited on account of any dispute except the following :

Particulars	**Forum where the dispute is pending**	**Rs. in crores**
Customs Duty	High Court of Karnataka/Supreme Court of India	43.81
	Customs, Excise and Service Tax Appellate Tribunal, Bangalore	7.40
Excise Duty	Dy. Commissioner of Central Excise, Kalyan	0.04
	Commissioner of Central Excise, Dadar	1.23
	Commissioner of Central Excise (Appeals), Mumbai	0.10
	Tribunal Customs & Excise	0.50
	Customs, Excise and Service Tax Appellate Tribunal, Mumbai	1.79
	Customs, Excise and Service Tax Appellate Tribunal, Bangalore	90.05
Income Tax & Wealth Tax	Income Tax Appellate Tribunal, Mumbai	0.62
	Commissioner of Income Tax (Appeals), Mumbai	2.58
Sales Tax	Dy. Commissioner of Sales Tax (Appeals), Thane	0.24
	Joint Commissioner Commercial Taxes (Appeals), Karnataka	0.05
Cess	Maharashtra Industrial Development Corporation	3.43
	Maharashtra Pollution Control Board	0.01
	High Court of Karnataka	1.73
Special Entry Tax	High Court of Karnataka	13.61
Service Tax	Customs, Excise and Service Tax Appellate Tribunal, Bangalore	0.10
	Dy. Commissioner of Central Excise, Kalyan	0.02

10. The Company has no accumulated losses as at 31st March, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. The Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. During the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a dealer or trader in shares, securities, debentures and other investments.

14. In our opinion and according to the information and explanations given to us, the terms and conditions of the securities given by the Company for loans taken by others from banks and financial institutions are not, prima facie, prejudicial to the interest of the Company.

15. According to the information and explanations given to us, in our opinion, the term loans were applied for the purpose for which they were obtained.

16. According to the information and explanations given to us and on an overall examination of the cash flow statements and balance sheet of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long-term investment.

17. During the year, the Company has not made any preferential allotment of shares to parties and companies covered and recorded in the Register maintained under Section 301 of the Act.

18. The Company has created securities in respect of debentures issued.

19. The Company has not raised any money by way of public issue during the year.

20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **LODHA & CO.**
Chartered Accountants

R.P. BARADIYA
Partner
(Membership No. 44101)

Place : Mumbai
Date : 19th April , 2006

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31ST MARCH, 2006

Rupees in crores

	Schedule No.	As at 31.03.2006	As at 31.03.2005
SOURCES OF FUNDS			
1. **Shareholders' Funds :**			
(a) Share Capital	1	497.06	469.13
(b) Reserves and Surplus	2	3,859.16	2,680.59
		4,356.22	3,149.72
2. **Loan Funds :**			
(a) Secured Loans	3	4,058.71	3,568.44
(b) Unsecured Loans	4	37.34	-
		4,096.05	3,568.44
3. **Deferred Tax Liability - Net**		742.03	305.49
4. **Long Term advance from customer**		-	267.97
	Total :	9,194.30	7,291.62
APPLICATION OF FUNDS			
1. **Fixed Assets :**	5		
(a) Gross Block		8,368.43	7,520.30
(b) Less : Depreciation		1,850.45	1,443.91
(c) Net Block		6,517.98	6,076.39
(d) Capital Work-in-Progress		1,861.90	349.30
		8,379.88	6,425.69
2. **Investments**	6	85.08	229.57
3. **Current Assets, Loans and Advances :**			
(a) Inventories	7	924.23	743.41
(b) Sundry Debtors	8	229.19	266.60
(c) Cash and Bank Balances	9	98.87	122.49
(d) Loans and Advances	10	979.42	761.50
(e) Other Current Assets (refer note B (12) in Schedule 19)		513.70	-
		2,745.42	1,894.00
Less : Current Liabilities and Provisions :			
(a) Liabilities	11	1,926.86	1,375.95
(b) Provisions	12	393.26	232.31
		2,320.12	1,608.26
Net Current Assets		425.30	285.74
4. **Miscellaneous Expenditure** (to the extent not written off or adjusted)	13	304.04	350.62
	Total :	9,194.30	7,291.62
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 LODHA & CO.
Chartered Accountants

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

R.P. BARADIYA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

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

Place : Mumbai,
Dated: 19th April, 2006

MEHERNOSH H. KAPADIA
Chief General Manager & Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

Rupees in crores

	Schedule No.	Year Ended 31.03.2006	Year Ended 31.03.2005
INCOME :			
1. Gross Sales		6,766.09	7,035.90
Less: Excise duty		585.99	356.54
Net Sales		6,180.10	6,679.36
2. Other Income	14	382.96	18.98
		6,563.06	6,698.34
EXPENDITURE :			
3. Cost of Materials	15	2,981.20	2,848.88
4. Manufacturing and Other Expenses	16	1,325.75	1,376.42
5. Employees Remuneration & Benefits	17	127.04	107.21
6. Interest and Finance charges	18	360.32	469.87
7. Depreciation		405.82	359.54
8. Miscellaneous Expenditure Written-off		61.79	60.48
		5,261.92	5,222.40
Profit before Exceptional items and Taxation		1,301.14	1,475.94
9. Exceptional Items		-	(3.33)
Profit before Taxation		1,301.14	1,472.61
10. Provision for Taxation			
Current Tax (Minimum Alternate Tax)		79.50	74.50
Deferred Tax		433.61	528.00
Fringe Benefit Tax		3.24	-
Minimum Alternate Tax Credit Entitlement		(79.50)	-
Profit after Taxation		864.29	870.11
11. Tax Adjustment for earlier year		7.76	-
Net Profit		856.53	870.11
12. Profit brought forward from earlier years		719.57	132.79
Amount available for Appropriation		1,576.10	1,002.90
13. Appropriations :			
Transferred to Debenture Redemption Reserve		(17.00)	25.00
Dividend on Preference Shares for FY 2003-04		-	19.59
Dividend on Preference Shares		27.90	27.90
Interim Dividend on Equity Shares		-	38.71
Proposed Final Dividend on Equity Shares		125.58	64.52
Tax on Equity and Preference Dividend		21.53	20.59
Transfer to General Reserve		86.43	87.02
Balance carried to Balance Sheet		1,331.66	719.57
Earnings per share (EPS) in Rs. : (before Exceptional items - net of tax)			
Basic		55.57	65.12
Diluted		55.57	59.78
Earnings per share (EPS) in Rs.: (after Exceptional items - net of tax)			
Basic		55.57	64.98
Diluted		55.57	59.66
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 LODHA & CO.
Chartered Accountants

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

R.P. BARADIYA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

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

Place : Mumbai,
Dated: 19th April, 2006

MEHERNOSH H. KAPADIA
Chief General Manager & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

Rupees in crores

		Year Ended 31.03.2006		Year Ended 31.03.2005	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS AND TAXATION		1,301.14		1,475.94
	Adjustments for :				
	Depreciation	405.82		359.54	
	Miscellaneous Expenditure written off	61.79		60.48	
	(Profit)/Loss on sale of fixed assets	(0.14)		(0.72)	
	Profit on sale of long term investments	(369.20)		-	
	Interest Income	(4.69)		(4.83)	
	Dividend Income	(0.03)		(0.03)	
	Interest	287.84		435.67	
	Foreign exchange variation (net)	1.42		0.60	
	Wealth Tax	0.75		0.52	
	Miscellaneous Expenditure Paid	(13.41)		(4.22)	
	Provision no longer required written back	(2.01)		(9.47)	
			368.14		837.54
	Operating profit before working capital changes		1,669.28		2,313.48
	Adjustments for :				
	Trade and other receivables	(22.03)		(268.25)	
	Trade payables	177.11		364.08	
	Inventories	(180.15)		(331.23)	
			(25.07)		(235.40)
	Cash flow before taxation & exceptional items		1,644.21		2,078.08
	Direct Taxes Paid		(69.25)		(72.04)
	Cash flow before exceptional items		1,574.96		2,006.04
	Exceptional items		-		(3.33)
	NET CASH FLOW FROM OPERATING ACTIVITIES		1,574.96		2,002.71
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets and capital advances (net of payable)		(1,308.50)		(419.93)
	Sale of Fixed Assets		1.49		1.97
	Sale proceeds on sale of Investments (refer note B (12) in Schedule 19)		-		-
	Interest received		2.87		4.10
	Dividend received		0.03		0.03
	NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(1,304.11)		(413.83)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from Issue of Equity Share Capital		240.79		-
	Receipts against Debts Securitisation		-		478.35
	Repayments against Debts Securitisation		(268.44)		(210.38)
	Proceeds from Long Term Borrowings		2,088.25		1,075.00
	Repayment against Long Term Borrowings		(2,010.00)		(2,440.93)
	Increase in Bank Borrowings for working capital		96.52		2.05
	Interest Paid		(306.73)		(432.76)
	Dividend Paid		(105.39)		(65.92)
	NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(265.00)		(1,594.59)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)		5.85		(5.71)
	CASH AND CASH EQUIVALENTS - OPENING BALANCES		39.98		41.31
	ADD : AS PER THE SCHEME OF AMALGAMATION & ARRANGEMENT		3.25		4.38
			43.23		45.69
	CASH AND CASH EQUIVALENTS - CLOSING BALANCES		49.08		39.98

NOTES :

(1) The above cash flow statement has been prepared by using the indirect method as per Accounting Standard 3 - Cash Flow Statement issued by the Institute of Chartered Accountants of India.

(2) Cash and cash equivalents exclude balance in margin money, short term deposits and balance in debenture interest/instalments/dividend payments aggregating to Rs. 49.78 crores (previous year Rs. 82.51 crores).

(3) Previous year's figures have been regrouped/rearranged wherever necessary to conform to current year's classification.

As per our attached report of even date
For LODHA & CO.
Chartered Accountants

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

R.P. BARADIYA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

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

Place : Mumbai,
Dated: 19th April, 2006

MEHERNOSH H. KAPADIA
Chief General Manager & Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

Rupees in crores

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 1		
SHARE CAPITAL		
1. **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
2. **Issued, Subscribed & Paid-up :**		
15,69,75,517 (previous year 12,90,39,142) Equity Shares of Rs.10 each fully paid-up	156.98	129.04
Add : Shares Forfeited (Amount originally paid-up)	61.05	61.06
27,90,34,907 10% Cumulative Redeemable Preference Shares of Rs.10 each fully paid-up	279.03	279.03
Total :	497.06	469.13

Notes :

1. Of the above Equity Shares :
   a) 4,39,98,500 equity shares allotted to the shareholders of ertstwhile JISCO pursuant to the Scheme of Arrangement and Amalgamation without payment being received in cash.
   b) During the year, 1,79,92,837 equity shares allotted to the shareholders of ertstwhile Euro Ikon, Euro Coke and JPL pursuant to the Scheme of Amalgamation without payment being received in cash.
2. During the year, 99,43,043 equity shares allotted upon exercise of option attached to warrants issued pursuant to the Scheme of Arrangement and Amalgamation.
3. Forfeiture of 495 shares (previous year 3,571) was annulled during the year.
4. 10% Cumulative Redeemable Preference Shares redeemable at par in four equal quarterly installments commencing from December 15, 2017.

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 2		
RESERVES AND SURPLUS		
1. **Securities Premium Account :**		
As per last Balance Sheet	13.94	-
As per the Scheme of Arrangement and Amalgamation	-	13.94
Add : Received during the year	149.15	-
	163.09	13.94
2. **Debenture Redemption Reserve :**		
As per last Balance Sheet	99.19	-
As per the Scheme of Arrangement and Amalgamation	-	74.19
Add : Transferred from Profit and Loss Account	-	25.00
Less : Transferred to Profit and Loss Account	17.00	-
	82.19	99.19
3. **General Reserve :**		
As per last Balance Sheet	1,847.89	-
As per the Scheme of Amalgamation *	347.90	-
As per the Scheme of Arrangement and Amalgamation	-	1,760.87
Add : Transferred from Profit and Loss Account	86.43	87.02
	2,282.22	1,847.89
4. **Surplus in Profit and Loss Account :**		
As per annexed account	1,331.66	719.57
Total :	3,859.16	2,680.59

* Refer Note B(3) in Schedule 19 regarding implementation of Scheme of Amalgamation.

Rupees in crores

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 3		
SECURED LOANS		
1. **Debentures :**		
Non-Convertible Debentures (NCDs)		
8% Redeemable Secured NCDs of Rs. 100 each	301.72	355.49
8.5% Redeemable Secured NCDs of Rs. 10 lac each *	115.00	-
14.25% Redeemable Secured NCDs of Rs. 100 each	-	1.67
10% Redeemable Secured NCDs of Rs. 100 each	160.51	251.23
	577.23	608.39
2. **Banks :**		
(a) Buyer's Credit (Foreign Currency Loans)	136.35	185.72
(b) Rupee Term Loans	2,681.71	1,026.22
(c) Foreign Currency Term Loans	352.47	390.17
	3,170.53	1,602.11
3. **Financial Institutions :**		
(a) Buyer's Credit (Foreign Currency Loans)	38.54	62.99
(b) Rupee Term Loans	53.78	767.96
(c) Foreign Currency Term Loans	-	404.88
	92.32	1,235.83
4. **Working Capital Loans from Banks**	218.63	122.11
Total :	4,058.71	3,568.44

* Includes Rs. 45 crores pending allotment.

2. Terms of Redemption:

(i) 8% Redeemable Secured NCDs of Rs. 100 each are redeemable in 3 monthly instalments of Rs. 4.48 crores each from 30.04.2006 to 30.06.2006; 29 monthly instalments of Rs. 9.60 crores each from 31.07.2006 to 30.11.2008 and last instalment of Rs. 10.01 crores on 30.12.2008.

(ii) The 8.5% Redeemable Secured NCDs of Rs. 10,00,000 are redeemable in 40 quartely instalments of Rs.1.95 crores each from 15.07.2006 to 15.04.2016 and 40 quartely instalments of Rs. 0.925 crores each from 30.06.2006 to 31.03.2016.

(iii) 10% Redeemable Secured NCDs of Rs. 100 each are redeemable in 20 monthly instalments Rs. 7.71 crores from 30.04.2006 to 30.11.2007 and last instalment of Rs. 6.35 crores on 31.12.2007.

(iv) The instalments due for redemption for all aforesaid NCDs upto 31.03.2006 have been redeemed.

3. Details of Security:

A. (a) Buyer's credit (Foreign Currency Loans) are secured by way of Guarantee Assistance by a consortium of Banks/ Financial Institutions.

(b) (i) The said Guarantee Assistance, 8% NCDs, Buyer's credit, Rupee/Foreign Currency Term Loans from Financial Institutions/Banks are secured/to be secured to the extent of Rs. 3,032.17 crores 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.

(ii) 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.

B. (a) Rupee/Foreign Currency Term Loans from Financial Institutions/Banks are secured to the extent of Rs. 69.26 crores by:

- pari passu first charge by way of equitable mortgage in respect of immovable properties of Downstream 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 and by an equitable mortgage on the immovable property of a third party.

(b) 10% NCDs are secured to the extent of Rs. 160.51 crores by :

- pari passu first charge by way of equitable mortgage in respect of immovable properties of Downstream 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.

(c) 8.5% NCDs and Rupee Term Loans from Banks are secured to the extent of Rs. 265.50 crores by :
- pari passu first charge by way of legal mortage on a flat situated at Mumbai, in the state of Maharashtra.
- pari passu first charge by way of equitable mortgage of the Company's immovable properties relating to the 100 MW and 130 MW Power Plants at Toranagallu village, in the State of Karnataka.

(d) 8.5% NCDs are secured to the extent of Rs. 37 crores by :
- pari passu first charge by way of legal mortgage of the Company's immovable properties relating to the 2 x 30 MW power plant being set up at Salem village, in the State of Tamil Nadu.

(e) Rupee Term Loans from Banks are secured to the extent of Rs. 59.90 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.

(f) Rupee Term Loans from Banks are secured to the extent of Rs. 79.16 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.

(g) Rupee Term Loans from Banks are to be secured to the extent of Rs. 67.50 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.

(h) Rupee Term Loans from Banks are to be secured to the extent of Rs. 29.55 crores by :
- first charge by way of equitable mortgage in respect of all movable properties of H R Plate Plant at Downstream Division located at Vasind.

(i) Rupee Term Loan is secured to the extent of Rs. 39.54 crores by exclusive first charge by way of hypothecation of Cessna Aircraft.

C. 8% NCDs, Buyer's credit, Rupee/Foreign Currency Term Loans/Guarantee assistance from Financial Institutions/Banks aggregating to Rs. 452.56 crores are also secured/to be secured in such manner that the aggregate of shares held by the lenders as at 30.09.2003 and shares pledged/to be pledged by promoters with the lenders shall not fall below 51% of the voting rights of the Company at any time during the tenure of these debts.

D. Rupee/Foreign Currency Term Loans aggregating to Rs. 599.12 crores (previous year Rs. 2,662.63 crores) as interim security are personally guaranteed/to be guaranteed by the Vice Chairman and Managing Director of the Company, alongwith interest thereon.

E. Working capital loans from Banks are secured to the extent of Rs. 12.82 crores (previous year Rs. 0.04 crore) by :

(i) pari passu first charge by way of hypothecation of inventories and book debts of Upstream Division, both present and future.

(ii) pari passu second charge by way of hypothecation of movable properties of Upstream Division, both present and future.

(iii) pari passu second charge by way of equitable mortgage of immovable properties of Upstream Division situated at Vaddu, Kurekuppe and Toranagallu village, in the state of Karnataka.

F. Working capital loans from Banks are secured/to be secured to the extent of Rs. 205.81 crores (previous year Rs.122.07 crores) by :

(i) 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.

(ii) pari passu second charge on movable properties of Downstream Division, both present and future.

(iii) 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.

(iv) personal guarantee of the Vice Chairman and Managing Director of the Company.

G. Under the respective agreements, the lenders have at their option, a right to convert the outstanding amount into fully paid equity shares, in the event of default by the Company in payment of principal and/or interest. As the Company is not in default of any payment obligations to these lenders as on 31st March, 2006, the same are not considered as potential equity shares for the purpose of calculating diluted earnings per share.

SCHEDULE 4

UNSECURED LOANS

Rupees in crores

		As at 31.03.2006	As at 31.03.2005
1.	Foreign Currency Loans (Repayable within one year Rs. 9.22 crores, previous year Nil)	27.66	-
2.	From Bank (Short Term)	9.68	-
	Total :	37.34	-

SCHEDULE 5

FIXED ASSETS

Rupees in crores

Particulars	Gross Block					Depreciation					Net Block	
	As at 01.04.2005	Transferred under Scheme of Amalgamation	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2006	As at 01.04.2005	Transferred under Scheme of Amalgamation	For the year	Deductions/ Adjustments	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Freehold Land	86.06	-	0.02	-	86.08	-	-	-	-	-	86.08	86.06
Leasehold Land	7.55	-	1.99	-	9.54	0.06	-	0.05	-	0.11	9.43	7.49
Buildings	1,272.70	6.36	53.20	-	1,332.26	162.61	0.05	41.03	-	203.69	1,128.57	1,110.09
Plant & Machinery@	6,107.74	466.03	273.41	6.16	6,841.02	1,268.88	3.68	360.97	(2.63)	1,630.90	5,210.12	4,838.86
Furniture & Fixtures@	20.49	0.18	2.69	-	23.36	8.08	0.08	1.46	-	9.62	13.74	12.41
Vehicles & Aircraft	25.76	0.39	51.30	1.28	76.17	4.28	0.02	2.31	(0.48)	6.13	70.04	21.48
Total :	7,520.30	472.96	382.61	7.44	8,368.43	1,443.91	3.83	405.82	(3.11)	1,850.45	6,517.98	6,076.39
Previous Year	6,226.87	1,064.24	240.51	(11.32)	7,520.30	1,032.12	60.13	359.54	(7.88)	1,443.91	6,076.39	
@ Include proportionate share of assets jointly owned :												
Plant & Machinery	33.21	-	-	-	33.21	8.11	-	1.67	-	9.78	23.43	25.10
Furniture & Fixtures	4.23	-	-	-	4.23	1.50	-	0.27	-	1.77	2.46	2.73
Capital Work-in-Progress (including Pre-operative expenses & capital advances)											1,861.90	349.30

Notes :

(1) Leasehold Land costing Rs. 0.15 crores and Rs. 3.02 crores acquired by the Company from Karnataka State Industrial Investments & Development Corporation Limited (KSIIDC) under lease cum sale arrangements entitling the Company to formally convert the same as Freehold Land at the end of lease period on 26-11-2009 and 20-04-2010 respectively without payment of any further consideration at that time.

(2) 'Buildings' include :

(a) Roads not owned by the Company amortised over a period of five years. Gross Block Rs. 2.33 crores (previous year Rs. 2.18 crores) Net block Rs. 1.37 crores (previous year Rs. 1.71 crores)

(b) Assets given on operating lease for which documents are yet to be executed pending approvals from Lenders and KSIIDC. Gross Block Rs. 3.08 crores (previous year Rs. 3.08 crores); net block Rs. 2.76 crores (previous year Rs. 2.82 crores)

(3) Plant and Machinery amortised over a period of five years include:

(a) 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. 0.34 crores (previous year Rs. 2.66 crores).

(b) ERP software. Gross block Rs. 9.93 crores (previous year Rs.9.93 crores); net block Rs. 0.05 crores (previous year Rs. 2.03 crores).

(4) Adjustment to Plant & Machinery include Foreign Exchange Fluctuations - current year (gain) Rs. 2.95 crores, previous year (loss) Rs. 84.55 crores.

Rupees in crores

	Face Value Rupees	Nos.	As at 31.03.2006	Nos.	As at 31.03.2005
SCHEDULE 6					
INVESTMENTS					
LONG TERM :					
1. IN GOVERNMENT SECURITIES					
National Savings Certificates*			0.01		-
(Rs. 61000; previous year Rs. 25000)					
2. TRADE & UNQUOTED					
(a) IN EQUITY SHARES					
JSW Energy Ltd. (Formerly Jindal Thermal Power Co. Ltd.)	10	-	-	144499400	144.50
Jindal Praxair Oxygen Company Pvt. Ltd. (JPOCL) @	10	39520000	39.52	39520000	39.52
Vijayanagar Minerals Pvt. Ltd.	10	4000	-	4000	-
(Rs. 40000; previous year Rs. 40000)					
(b) IN PREFERENCE SHARES OF JPOCPL					
10% Preference Shares	10	4160000	4.16	4160000	4.16
10% Non Cumulative Non Convertible Preference Shares	10	4200000	4.20	4200000	4.20
0.1% Non Cumulative Non Convertible Preference Shares	10	32310000	32.31	32310000	32.31
3. CURRENT :					
OTHER THAN TRADE & UNQUOTED IN EQUITY SHARES					
SICOM Ltd.	10	600000	4.88	600000	4.88
Total :			85.08		229.57
Aggregate Book Value -Unquoted Investments			85.08		229.57

Notes :

1. * Pledged with Commercial Tax Department.
2. @ Pledged as security in favour of certain Financial Institutions for loans granted to JPOCL.

Rupees in crores

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 7		
INVENTORIES		
(As taken, valued and certified by the Management)		
1. Raw Materials	481.63	466.12
2. Production Consumables and Stores & Spares	141.89	115.87
3. Work-in-Progress	105.65	54.88
4. Semi Finished/Finished Goods	195.06	106.54
Total :	924.23	743.41
SCHEDULE 8		
SUNDRY DEBTORS		
Unsecured		
Outstanding for a period exceeding six months :		
Considered Good	56.50	30.26
Considered Doubtful	6.85	7.39
Other Debts :		
Considered Good	172.69	236.34
Considered Doubtful	0.01	0.19
Less : Provision for Doubtful debts	(6.86)	(7.58)
Total :	229.19	266.60

Rupees in crores

		As at 31.03.2006		As at 31.03.2005
SCHEDULE 9				
CASH AND BANK BALANCES				
1. Cash balance in hand		0.27		0.20
2. Cheques in hand		-		2.15
3. Balances with Scheduled Banks :				
(a) In Current Accounts		55.50		42.44
(b) In Margin Money Accounts		43.10		77.70
(c) In Short Term Deposit Accounts (Rs. 10000; previous year Rs. 10000)		-		-
Total :		98.87		122.49
SCHEDULE 10				
LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
1. Advances recoverable in cash or in kind or for value to be received	607.43		552.29	
Less : Provision for Doubtful Advances	6.17		2.57	
		601.26		549.72
2. Deposits with Customs and with Government/ Semi-Government Authorities		13.39		11.49
3. Excise Modvat receivable		104.46		88.73
4. Advance Tax and Tax deducted at source		180.81		111.56
5. Minimum alternate tax credit entitlement		79.50		-
6. Loans to Bodies Corporate	9.10		9.10	
Less: Provision for Doubtful Loans	9.10	-	9.10	-
Total :		979.42		761.50
SCHEDULE 11				
CURRENT LIABILITIES				
1. Acceptances		1,027.33		667.02
2. Sundry Creditors (refer note B (17) in Schedule 19)		612.78		490.95
3. Advances from Customers		38.04		17.95
4. Interest Accrued but not due on loans		125.59		102.31
5. Other Liabilities*		115.19		91.27
6. Investor Education and Protection Fund shall be credited by @ :				
(a) Unclaimed Debenture Redemption Instalments		3.22		3.52
(b) Unclaimed Debenture Interest		1.65		2.10
(b) Unclaimed Dividend		3.06		0.83
Total :		1,926.86		1,375.95

* Includes deposit of Rs. 10.32 crores (previous year Rs. 10.32 crores) received against assets, given on operating lease, out of which documents in respect of Rs. 3.83 crores (previous year Rs.10.32 crores) are yet to be executed.

@ No amount due and outstanding as on 31.03.2006.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 (contd.)

Rupees in crores

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 12		
PROVISIONS		
1. Provision for :		
Income Tax	213.51	125.77
Wealth Tax	1.50	1.15
Fringe Benefit Tax	3.24	-
2. Proposed Dividend on Preference Shares	27.90	27.90
3. Proposed Dividend on Equity Shares	125.58	64.52
4. Tax on Equity and Preference Dividend	21.53	12.97
Total :	393.26	232.31
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
1. Preliminary and Share Issue Expenses	6.19	2.06
2. Deferred Revenue Expenditure *	297.85	348.56
Total :	304.04	350.62

* Includes unamortised borrowing cost etc. incurred during extended trial run period; expenses incurred on financial restructuring, raising of borrowed funds, infructuous expenses during construction period, etc.

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

Rupees in crores

	Year Ended 31.03.2006	Year Ended 31.03.2005
SCHEDULE 14		
OTHER INCOME		
1. Dividend on Current Investments	0.03	0.03
2. Profit on sale of long term investments (refer note B (12) in Schedule 19)	369.20	-
3. Profit on sale of fixed assets	0.58	1.15
4. Miscellaneous income	11.14	8.33
5. Provisions no longer required written-back	2.01	9.47
Total :	382.96	18.98
SCHEDULE 15		
COST OF MATERIALS		
1. Raw Materials Consumed	3,112.05	2,887.97
2. Excise duty on Stock of finished goods (net)	8.44	4.22
3. (Increase)/Decrease in Stocks		
Opening Stock :		
Semi Finished/Finished Goods	106.54	93.46
Work-in-progress	54.88	24.65
	161.42	118.11
Closing Stock :		
Semi Finished/Finished Goods	195.06	106.54
Work-in-progress	105.65	54.88
	300.71	161.42
(Increase)/Decrease in Stock	(139.29)	(43.31)
Total :	2,981.20	2,848.88

Rupees in crores

	Year Ended 31.03.2006	Year Ended 31.03.2005
SCHEDULE 16		
MANUFACTURING AND OTHER EXPENSES		
1. Rent	2.65	2.22
2. Rates & Taxes	6.07	1.96
3. Insurance	11.21	11.26
4. Power and Fuel	415.76	541.67
5. Stores & Spares	304.20	282.98
6. Carriage Inward	95.70	65.76
7. Repairs & Maintenance :		
(i) Plant & Machinery	72.68	98.98
(ii) Buildings	14.77	28.01
(iii) Others	2.29	2.03
8. Brokerage & Commission on:		
(i) Domestic Sales	4.43	2.46
(ii) Export Sales	27.39	43.69
9. Carriage Outward	258.01	228.30
10. Cash Discount	3.82	1.94
11. Commission and Sitting Fees to Non-executive Directors	1.33	0.20
12. Donations	1.34	0.91
13. Foreign Exchange Fluctuation (net)	25.09	(22.45)
14. Miscellaneous Expenses	73.94	85.65
15. Wealth Tax	0.75	0.52
16. Bad advance/deposits written off	0.16	-
18. Provision for Doubtful Debts/ Loans/Advances	3.72	(0.10)
19. Loss on sale of fixed assets	0.44	0.43
Total :	1,325.75	1,376.42
SCHEDULE 17		
EMPLOYEES' REMUNERATION & BENEFITS		
1. Salaries, Wages and Bonus	112.98	93.71
2. Contribution to Provident and Other Funds	7.36	6.12
3. Staff Welfare Expenses	6.70	7.38
Total :	127.04	107.21
SCHEDULE 18		
INTEREST AND FINANCE CHARGES		
1. Interest on :		
Debentures and Fixed Loans	265.40	389.47
Others	74.66	58.58
2. Finance Charges	24.95	26.65
	365.01	474.70
Less: Interest Income *	4.69	4.83
Total :	360.32	469.87

* TDS deducted Rs. 1.09 crores; previous year Rs. 0.99 crores.

SCHEDULE 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES :

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the basis of a going concern and as per applicable Indian accounting standards. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties.

2. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3. Revenue Recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers. Sales are net of sales returns and trade discounts. Revenue from services is recognized as and when services are rendered and related costs are incurred, in accordance with the terms of the specific contracts.

4. Valuation of Inventories

Inventories are valued after providing for obsolescence, as under :

a) Raw materials, production consumables, construction materials and stores and spares are valued at lower of cost (computed on weighted average basis) and net realisable value.

b) Finished goods, semi-finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost for this purpose includes direct materials, direct labour, excise duty and appropriate portion of overheads for bringing the inventory to its present location and condition.

5. Fixed Assets

a) Fixed Assets are stated at cost of acquisition or construction less depreciation.

b) Pre-operative expenditure during construction period/trial run: Direct expenses as well as clearly identifiable indirect expenses, incurred on project during the period of construction are being capitalised alongwith the respective assets and all other allocable expenses (net of expenses charged to revenue according to the ratio determined and certified by Company's costing department) are being capitalized/treated as deferred revenue expenses, as approved by the Management.

6. Depreciation

a) (i) Depreciation on assets is provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

(ii) Depreciation on machinery spares of the nature of capital/insurance spares and having irregular use is provided prospectively over a period, not exceeding the useful life of the fixed asset to which they relate.

b) Cost of leasehold land is amortised over the period of the lease.

c) Depreciation on the amount capitalised on account of foreign exchange fluctuations is provided prospectively over the residual life of the asset.

d) Depreciation on impaired assets related to a cash generating unit is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the asset over its remaining useful life.

7. Impairment of Assets

In accordance with AS 28 on 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account.

8. Borrowing Costs

Borrowing costs attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Expenses incurred in connection with raising of funds are amortised over the tenure of the borrowing. Other borrowing costs are charged to the profit and loss account.

9. Investments

a) Long-term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long-term investments.

b) (i) Quoted current investments are stated at the lower of cost and market value.

(ii) Unquoted current investments are stated at the lower of cost and fair value when available.

c) Cost of each investment is arrived at on the basis of the average carrying amount of the total holding of that investment.

10. Miscellaneous Expenditure

a) Preliminary and Share issue expenses are written off over a period of ten years from the year of commencement of commercial production.

b) Debenture issue expenses are written off over the tenure of the debentures.

c) Deferred Revenue Expenditure is written off over a period upto ten years, depending upon the nature and benefit of such expenditure in future.

11. Foreign Currency Transactions

a) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions.

b) Foreign currency designated assets, liabilities and capital commitments are restated at the year end rates.

c) The exchange differences are adjusted to :

i) Carrying cost of fixed assets, if they relate to fixed assets and

ii) Profit and Loss account in other cases.

d) Forward Contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange difference arising on such contracts are recognised in the period in which they arise and the premium paid/ received is accounted as expense/income over the period of the contract. Any profit or loss arising on cancellation or renewal of such forward contract is recognised as income/expense of the period.

e) Derivative transactions are considered as off-balance sheet items and cash flows arising there from are recognised in the books of account as and when the settlements take place in accordance with the terms of the respective contracts over the tenor thereof.

12. Retirement Benefits

a) Company's contribution to Provident Fund and Family Pension Fund is charged to the profit and loss account on accrual basis.

b) Gratuity liability is charged to profit and loss account on the basis of actuarial valuation as at the year-end and is funded with the gratuity fund managed by Life Insurance Corporation of India.

c) Leave encashment liability is charged to profit and loss account on the basis of actuarial valuation as at the year-end.

13. Taxation

a) Income tax expense comprises current tax and fringe benefit tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

b) The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain as the case may be to be realized.

c) Tax credit is recognized in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JAA of the Income tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within the statutory time frame and is reviewed at each balance sheet date.

14. Research and Development expenditure

Revenue expenditure on research and development is charged to the profit and loss account and capital expenditure on research and development is capitalized as fixed assets and depreciated as per depreciation policy of the Company.

15. Provisions and Contingent Liabilities

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event,

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of the obligation can be reliably estimated.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, such reimbursement is recognised to the extent of provision or contingent liability as the case may be, only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.

b) a possible obligation, unless the probability of outflow of resources is remote.

B. NOTES TO ACCOUNTS :

1. Contingent Liabilities not provided for in respect of :

a) Bills Discounted Rs. 313.68 crores (previous year Rs.487.01 crores).

b) Guarantees provided by banks Rs.1.61 crores (previous year Rs.1.61 crores).

c) Disputed statutory claims/levies including those pending in courts (excluding interest leviable, if any), in respect of (i) Excise Duty Rs. 81.08 crores (previous year Rs. 41.43 crores) net of possible reimbursement Rs. 25.43 crores (previous year Rs. 19.41 crores); (ii) Customs Duty Rs. 99.05 crores (previous year Rs. 61.61 crores); (iii) Income Tax Rs. 37.73 crores (previous year Rs. 31.37 crores);(iv) Sales Tax/ Special Entry tax Rs. 14.23 crores (previous year Rs. 2.70 crores); (v) Service Tax Rs. 0.12 crore (previous year Nil) (vi) Miscellaneous Rs. 0.24 crore (previous year Rs. 0.24 crore) and (vii) Levies by local authorities Rs. 12.49 crores (previous year Rs. 12.49 crores).

d) Claims against the Company not acknowledged as debts (excluding interest leviable, if any): (i) Claims by various suppliers of goods and services : Rs. 1.09 crores (previous year Rs. 4.10 crores) net of possible reimbursement/ adjustments Rs. 201.09 crores (previous year Rs. 164.17 crores) and (ii) Claims by others : Rs. 1.43 crores (previous year 0.10 crore).

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 1,300.25 crores (previous year Rs. 789.59 crores).

3. Scheme of Amalgamation :

a) The Hon'ble High Court of Bombay vide its Order dated 30th September, 2005 sanctioned the Scheme of Amalgamation (Scheme) for merger of Euro Ikon Iron & Steel Private Limited (Euro Ikon), Euro Coke & Energy Private Limited (Euro Coke) and JSW Power Limited (JPL) with the Company with effect from the appointed dated 1st April, 2005. Pursuant to the Order,the assets and liabilities of Euro Ikon, Euro Coke and JPL were transferred to and vested with the Company with effect from 1st April, 2005. The Scheme has accordingly been given effect to in these financial statements.

b) The amalgamation has been accounted for under the "Pooling of Interests Method" as prescribed by Accounting Standard (AS) 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities of Euro Ikon, Euro Coke and JPL as at 1st April, 2005 have been taken over at their book values. Difference of Rs.347.90 crores between the amount of shares allotted to the shareholders of erstwhile Euro Ikon, Euro Coke & JPL and the value of net assets acquired has been credited to General Reserve. As per Accounting Standard (AS) 14 "Accounting for Amalgamations" Rs.342.62 crores (net of surplus of Rs.5.27 crores in respect of Euro Ikon) was to be credited to Capital Reserve but since the Scheme provided for its credit to General Reserve, the same has been so credited which is also permitted by aforesaid Accounting Standard.

c) In terms of the Scheme, 1,79,92,837 equity shares of Rs. 10 each were issued and allotted at par to the shareholders of Euro Ikon, Euro Coke and JPL.

4. Capital Work-in-Progress comprises :

Rupees in crores

		Current Year	Previous Year
a)	Buildings, Plant and Machinery etc.	1,605.53	270.50
b)	Capital Advances	223.92	156.68
	Less :Provision for Doubtful Advances	86.63	86.63
	Net Capital Advances (unsecured and considered good)	137.29	70.05
c)	Pre-operative Expenses (pending allocation)		
	Opening Balance	8.75	0.08
	Add : Transferred under the scheme of amalgamation	22.77	-
	Power and Fuel	17.85	0.35
	Salaries, Wages and Bonus	7.32	0.39
	Contribution to Provident & Other Funds	0.25	-
	Rates and Taxes	0.06	-
	Insurance	1.77	-
	Repairs and Maintenance to Plant & Machinery	1.09	-
	Exchange Difference	0.23	-
	Miscellaneous Expenses	16.40	0.91
	Interest on Fixed Loans and Debentures	29.22	-
	Finance Charges	41.90	8.20
	Interest Income	(0.41)	(0.08)
		147.20	9.85
	Less : Self consumption of Trial Run Production	13.32	-
	Allocated to Fixed Asset	12.78	1.10
	Unamortised borrowing cost transferred to Deferred revenue expenditure	2.02	-
	Balance Carried Forward	119.08	8.75
	Total (a+b+c)	1,861.90	349.30

5. Loans and Advances in Schedule 10 include :

a) Overdue advances of Rs.18.58 crores (previous year Rs. 19.41 crores) given to certain companies against supply of raw materials pursuant to MOUs/orders which were subsequently cancelled by the Company in view of volatile market conditions. There is reasonable certainty of recovery in due course fully and hence, does not require any provisioning.

b) Advances recoverable in cash or kind of Rs. 13.10 crores (previous year Rs. 18.52 crores) which are long overdue and the management is confident of recovering the same in due course considering the asset base and financial position, and hence, the amounts outstanding has been considered as good and recoverable.

c) Advances towards Company's contribution for equity shares in Vijayanagar Minerals Private Ltd. (VMPL), Rs. 4.06 crores (previous year Rs. 4.06 crores).

d) Loans and advances in the nature of loans where there is no repayment schedule/or no interest or at an interest rate below what is specified in Section 372A of the Companies Act, 1956 :

	Name of the party	Amount Outstanding (Rs. in crores)		No. of Equity Shares held in the Company	
		As on 31.03.2006	Maximum during the current year	As on 31.03.2006	Maximum during the current year
1.	Gagan Trading Co. Ltd. (Rent deposit)	64.00	64.00	38,26,085	38,26,085
		(64.00)	(64.00)	(37,29,694)	(37,29,694)
2.	JISCO Employees Welfare Trust	1.71	1.71	1,75,200	1,77,300
		(1.71)	(1.71)	(1,75,370)	(1,75,370)
3.	JVSL Employees Welfare Trust	2.29	2.29	1,74,209	1,74,209
		(2.29)	(2.29)	(1,56,695)	(1,56,695)
4.	Loans to Employees (in accordance with general policy of the Company)	0.52	0.70	7,513	34,213
		(0.58)	(0.96)	(34,213)	(34,213)

In respect of the above parties, rate of interest is nil.

6. The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Lenders are subject to confirmation/reconciliation and adjustments, if any, the management does not expect any material difference affecting the current year's financial statements.

7. In the opinion of the Board, Current Assets, Loans and Advances (including Capital Advances) have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated. Provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably necessary.

8. There is a diminution of Rs.2.90 crores (previous year Rs.3.08 crores) in the value of equity shares of SICOM Ltd. based on its break up value (fair value unascertained) worked out as per its audited Balance Sheet as at 31.03.2005. However, there is a reasonable certainty (in view of strong asset base and improved financials of the Investee Company) that there would not be any loss on disposal of these shares; no provisioning has been considered necessary.

9. In respect of benefit availed of Rs.226.23 crores (previous year Rs. 211.95 crores) under EPCG Scheme, there is a pending export obligation which would be fulfilled in due course of time.

10. The Company is primarily engaged in the segment of "Iron and Steel Products" and there are no reportable segments as per Accounting Standard (AS 17).

11. a) Sales include export incentives of Rs. 73.47 crores (previous year Rs. 323.19 crores).

b) Sales also include export incentives pertaining to earlier years of Rs. 79.27 crores (previous year Nil), the licenses for which were received during the current year.

12. During the year, the Company has sold 14,44,99,400 equity shares of Rs. 10 each of JSW Energy Ltd. (JSWEL) to Samarth Holdings Pvt. Ltd., an associate company for a consideration of Rs. 513.70 crores based on an independent valuer's report. The profit on sale of these shares amounting to Rs. 369.20 crores is included in "Other income". As per the terms of the agreement, the sale consideration is receivable within a period of one year from the date of sale and is shown as "Other current assets". The Company is entitled to a lien on these shares until the realisation of the sale

consideration which is sub-servient to the existing pledge of shares in favour of the lenders of JSWEL. The management is confident of realising the aforesaid amount within stipulated time.

13. Exchange variations in respect of forward contracts to be recognised in Profit and Loss account of subsequent year; Loss Rs. 2.29 crores (previous year gain Rs. 0.06 crore).

14. The Company has been permitted to exit from Corporate Debt Restructuring (CDR) framework in September 2005 on repayment of entire CDR debt on settlement of right of recompenses. Since the entire restructured debt of CDR lenders has been paid, the restrictive covenants of CDR are not applicable.

15. a) Managerial Remuneration :

Managerial Remuneration under Section 198 of the Companies Act, 1956 paid or payable to the Directors is as under:

Rupees in crores

	Current Year	Previous Year
Salary	2.68	2.34
Perquisites	1.71	0.61
Contribution to Provident Fund	0.36	0.28
Director’s sitting fees	0.14	0.20
Commission to Vice Chairman and Managing Director	4.74	6.81
Commission to Non Executive Directors**	1.19	-
Total :	10.82	10.24

Notes :

(i) 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.

(ii) ** Provision made subject to shareholders’ approval.

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	1,301.14	1,472.61
Add : Managerial Remuneration (including commission)	10.82	8.19
Provision for Doubtful debts/advances	3.72	(0.10)
Wealth Tax	0.75	0.52
Loss on sale of Fixed Assets	0.44	0.43
	1,316.87	1,481.65
Less : Profit on sale of Long-Term Investments	369.20	-
Profit on sale of Fixed Assets	0.58	1.15
Net Profit as per Section 349 of the Companies Act, 1956	947.09	1,480.50
Less : Excess of expenditure over income of earlier years as per Sub Clause (I) of Clause (4) of Section 349.	-	119.00
Net Profit as per Section 349 read with Section 309(5)	947.09	1,361.50
Commission Payable to :		
- Vice Chairman and Managing Director @ 0.5% of Net Profit as computed above	4.74	6.81
- Non-Executive Directors	1.19	-

16. Remuneration to Auditors :

Rupees in crores

	Current Year	Previous Year
As Audit Fees*	0.36	0.27
For Tax Audit Fees*	0.07	0.02
For Limited Review Fees	0.12	0.12
For Certification & Other Services	0.28	0.11
Out of Pocket Expenses (Including service tax)	0.02	0.02
Total :	0.85	0.54
* Includes paid in respect of previous year :		
Audit fees	0.03	-
Tax Audit fees	0.02	-

17. Sundry creditors include amounts due to a small-scale industrial undertakings - Rs. 0.98 crore (previous year Rs. 0.24 crore).

Creditors include the following Small Scale / Ancillary Industrial Undertakings to whom amounts are due for more than 30 days : Panchsheel Packing Industires, Castwel Industries, GBM Manufacturing Pvt. Limited, Well Products Industires Limited, Standard Clutches controls, Mega Drives Pvt. Limited, Hi Tech Industries, Arudra Engineering Pvt. Limited, Manisha Enterprises, Khanna Enterprises, Umega Gears, Koop Marketing, Panchsheel Waterproof.

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".

18. Premises taken on non-cancellable operating lease :

The total minimum lease rental payable at the Balance Sheet date is as under :

Rupees in crores

	Current Year	Previous Year
For a period not later than one year	0.60	0.60
For a period later than one year and not later than five years	1.08	1.68
For a period later than five years	-	-

19. Deferred tax asset/(Liability) comprises timing differences on account of :

Rupees in crores

	Current Year	Previous Year
Depreciation (Net) *	(835.46)	(376.87)
Provision for doubtful debts/ capital advances	33.35	32.10
Expenses including Interest to Financial Institutions allowable on payment basis	60.08	39.28
Deferred Tax Asset / (Liability)	(742.03)	(305.49)

* Including Rs. 2.93 crores being Liability transferred on amalgamation.

20. The computation of Earnings per Share :

		Current Year	Previous Year
Profit before Exceptional items (net of tax)	Rs. in Crs.	856.53	872.08
Less : Dividend on preference shares	Rs. in Crs.	31.82	31.82
Profit before Exceptional items (net of tax) for Equity shareholders (Numerator)	Rs. in Crs.	824.71	840.26
Earnings per share - before Exceptional items (net of Tax) - Basic	Rs.	55.57	65.12
Earnings per share - before Exceptional items (net of Tax) - Diluted	Rs.	55.57	59.78
Profit after Exceptional items (net of tax)	Rs. in Crs.	856.53	870.11
Less : Dividend on preference shares	Rs. in Crs.	31.82	31.82
Profit after Exceptional items (net of tax) for Equity shareholders (Numerator)	Rs. in Crs.	824.71	838.56
Earnings per share - after Exceptional items (net of Tax) - Basic	Rs.	55.57	64.98
Earnings per share - after Exceptional items (net of Tax) - Diluted	Rs.	55.57	59.66
Nominal value per share	Rs.	10	10
Weighted average number of equity shares for Basic EPS (denominator)	Nos.	148417690	129039142
Weighted average number of equity shares for Diluted EPS (denominator)	Nos.	148417690	140566795

21. 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 Pvt. Limited
JSW Energy Limited
Vijayanagar Minerals Pvt. Limited
Nalwa Sons Investments Limited
Jindal Stainless Limited
Jindal Steel & Alloys Limited
Jindal Saw Limited
Jindal Steel and Power Limited
Southern Iron & Steel Company Limited
South West Port Limited
Hexa Securities Finance Co. Limited
Jindal Holdings Limited
Jindal South West Holdings Limited
Jindal Industries Limited
Samarth Holdings Pvt. Limited

2) Key Management Personnel

Mr. Sajjan Jindal
Dr. B.N. Singh
Mr. Seshagiri Rao M.V.S
Mr. Raman Madhok (resigned w.e.f. 07.11.2005)

3) Relatives of Key Management Personnel

Mr. Naveen Jindal
Mrs. Nirmala Goel
Mr. P.R. Jindal

b) Related Party Transactions :

Rupees in crores

Nature of transaction	Current Year	Previous Year
Transactions during the year with :		
Associates :		
Purchases of Goods/Power and Fuel/Services	439.11	653.44
Sales of Goods/Power & Fuel/Services	542.57	368.39
Purchase of assets	73.66	29.06
Sale of Investments	513.70	-
Deposit given against leased assets	0.28	-
Issue of Equity shares including securities premium	120.10	-
Key Management Personnel :		
Remuneration to Key Management Personnel	9.49	10.04
Relatives of Key Management Personnel :		
Issue of Equity shares including securities premium	@	-
Closing balances of Associates Payable :		
Trade payables	83.53	62.23
Lease deposit	10.32	10.32
Receivable :		
Trade receivables	64.05	51.22
Advance for Equity	4.06	4.06
Other advances	28.11	30.64
Other Current Assets	513.70	-
Investments made	80.19	224.69
Guarantees and collaterals provided by the Company	39.52	184.02

c) Details of material related party transactions included under (b) above :

Rupees in crores

Party's Name	Current Year	Previous Year
Associates :		
Purchase of Goods/Power & Fuel/Services		
South West Port Limited	41.84	30.07
JSW Energy Limited	34.39	180.69
Jindal Praxair Oxygen Co. Pvt. Limited	312.06	316.00
Jindal Steel & Alloys Limited	6.00	85.10
Sales of Goods/Power & Fuel/Services		
Jindal Saw Limited	167.75	8.57
Southern Iron & Steel Co. Limited	57.36	27.30
JSW Energy Limited	252.41	241.47
Jindal Industries Limited	51.83	-
Jindal Steel & Alloys Limited	-	79.18
Jindal Praxair Oxygen Co. Pvt. Limited	3.55	3.46
South West Port Limited	0.38	4.18
Purchase of Assets		
Southern Iron & Steel Co. Limited	17.34	18.07
Jindal Steel & Power Limited	43.20	10.14
Jindal Saw Limited	7.37	0.11
Deposit given against Leased Assets		
Southern Iron & Steel Co. Limited	0.28	-
Sale of Investments		
Samarth Holdings Pvt. Limited	513.70	-
Issue of Equity shares including Securities premium		
Southern Iron & Steel Co. Limited	28.50	-
JSW Energy Limited	21.45	-
Jindal South West Holdings Limited	52.43	-
Jindal Steel & Alloys Limited	5.11	-

d) Closing Balances

Rupees in crores

Party's Name	Current Year	Previous Year
Trade payables		
Jindal Praxair Oxygen Co. Pvt. Limited	66.15	57.89
South West Port Limited	8.33	-
Southern Iron & Steel Co. Limited	5.08	0.06
Jindal Steel & Alloys Limited	3.41	3.41
Lease deposit		
Jindal Praxair Oxygen Co. Pvt. Limited	3.83	3.83
JSW Energy Limited	6.49	6.49
Trade receivables		
Jindal Steel & Alloys Limited	49.81	50.81
Southern Iron & Steel Co. Limited	13.03	-
Jindal Industries Limited	0.23	-
Advance against Equity		
Vijayanagar Minerals Pvt. Limited	4.06	4.06
Other advances		
Jindal Steel & Alloys Limited	11.75	18.74
South West Port Limited	-	3.34
Jindal Stainless Limited	3.72	4.86
JSW Energy Limited	12.07	2.32
Other Current Assets		
Samarth Holdings Pvt. Limited	513.70	-
Investments made		
Jindal Praxair Oxygen Co. Pvt. Limited	80.19	80.19
Vijayanagar Minerals Pvt. Limited	@	@
JSW Energy Limited	-	144.50
Guarantees and Collaterals provided by the Company		
Jindal Praxair Oxygen Co. Pvt. Limited	39.52	39.52
JSW Energy Limited (Refer note 12 above)	-	144.50

Notes :

i. @ Less than Rs.100,000.

ii. No amounts in respect of related parties have been written off/written back during the year, nor any provision has been made for doubtful debts/receivables.

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

22. **ADDITIONAL INFORMATION PURSUANT TO PART-II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

A. **LICENSED AND INSTALLED CAPACITIES AND PRODUCTION :**

	Class of Products	Licensed capacity Tonnes	Installed capacity Tonnes	Production Tonnes
1	Hot Rolled Coils/Steel Plates/Sheets	N.A.	2000000 (2000000)	2147850 (1783131)
2	Galvanized Coils/Sheets	N.A.	900000 (900000)	782226 (688117)
3	Cold Rolled Coils/Sheets	N.A.	1000000 (1000000)	844576 (717383)
4	Hot Rolled Steel Plates	N.A.	280000 (280000)	86259 (21066)
5	Colour Coating Coils/Sheets	N.A.	100000 (-)	12153 (-)

Notes :

a. Installed capacity of Slag grinding Unit - 200000 tonnes, Production 133993 tonnes (previous year 147842 tonnes); Turnover 50129 tonnes, Rs. 5.97 crores (previous year 105892 tonnes, Rs. 17.94 crores); Self Consumption 85658 tonnes, Rs. 10.28 crores (previous year 40405 tonnes, Rs. 5.55 crores); Opening Stock 3157 tonnes, Rs.0.42 crores (previous year 1615 tonnes, Rs.0.28 crores); Closing stock 1364 tonnes, Rs. 0.17 crores (previous year 3157 tonnes, Rs. 0.42 crores).

b. 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.

c. 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		Closing Stock		Opening Stock	
	Tonnes	Rupees crores	Tonnes	Rupees crores	Tonnes	Rupees crores
1 Hot Rolled Coils/	1189307	3,161.59	54056	94.47	20165	39.51
Steel Plates/Sheets	(1048620)	(3,078.62)	(20165)	(39.51)	(31574)	(44.20)
2 Galvanized Coils/Sheets	761960	2,476.32	20562	54.58	16045	41.86
	(682725)	(2,682.40)	(16045)	(41.86)	(15937)	(32.25)
3 Cold Rolled Coils/Sheets	84424	264.92	5432	10.73	4023	8.56
	(50048)	(154.64)	(4023)	(8.56)	(6466)	(10.19)
4 Hot Rolled Steel Plates	74455	208.37	8597	19.10	2117	4.83
	(18936)	(54.83)	(2117)	(4.83)	(-)	(-)
5 Colour Coating Coils/Sheets	8227	34.07	1696	6.40	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
6 Others		620.82		9.78		11.78
		(1,065.41)		(11.78)		(6.82)
Total :		6766.09		195.06		106.54
		(7,035.90)		(106.54)		(93.46)

C. CONSUMPTION OF MATERIALS:

Description	Current Year		Previous Year	
	Tonnes	Rupees in crores	Tonnes	Rupees in crores
Iron ore lumps/fines	4672179	413.91	4430132	261.06
Scrap	48691	75.90	88762	134.59
Coal/Coke	3207242	1,936.09	2844413	1,891.70
Hot Rolled Coils	-	-	19037	65.44
M S Slabs	38732	71.75	13773	29.57
Cold Rolled Coils	-	-	7055	20.56
Zinc & Alloys	39337	323.11	33542	204.27
Others		366.30		306.28
Total :		3,187.06		2,913.47
Less : Self consumption		75.01		25.50
Total :		3,112.05		2,887.97

D. CONSUMPTION OF RAW MATERIALS, STORES AND SPARES:

Description	Current Year		Previous Year	
	Value Rupees in crores	% of Total Value	Value Rupees in crores	% of Total Value
RAW MATERIALS				
Imported*	2,240.27	71.99	2,043.00	70.74
Indigenous	871.78	28.01	844.97	29.26
Total :	3,112.05	100.00	2,887.97	100.00
STORES AND SPARES				
Imported	26.06	8.57	67.49	23.85
Indigenous	278.14	91.43	215.49	76.15
Total :	304.20	100.00	282.98	100.00

*Includes Rs.61.44 crores (previous year Rs.256.55 crores) indigenously procured.

E. C.I.F. VALUE OF IMPORTS: Rupees in crores

Description	Current Year	Previous Year
Capital Goods	254.02	70.59
Raw Materials	2,034.94	1,864.70
Stores & Spare Parts and Production Consumables	50.44	49.74

F. EXPENDITURE IN FOREIGN CURRENCY: Rupees in crores

Description	Current Year	Previous Year
Interest and Finance charges	27.87	26.38
Technical know-how	19.36	19.44
Brokerage and Commission on export sales	28.06	45.64
Others	74.72	92.47

G. EARNINGS IN FOREIGN CURRENCY: Rupees in crores

Description	Current Year	Previous Year
F.O.B. Value of Exports	2,049.48	2,846.24

H. REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND: Rupees in crores

Description	Current Year	Previous Year
Year to which the Dividend relates	2004-05	2004-05
Number of Non-resident Shareholders	8595	16086
Number of Equity Shares held by them	12048495	8122500
Amount remitted (Rs. in crores)	6.02	1.85

23. The name of the Company has been changed from 'Jindal Vijayanagar Steel Limited' to 'JSW Steel Limited' w.e.f. 16th June, 2005.
24. Previous year's figures have been regrouped/rearranged/recast wherever necessary to conform with current year's presentation. Current year's figures include the figures of erstwhile Euro Ikon, Euro Coke and JPL and hence, not strictly comparable with that of the previous year.

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

MEHERNOSH H. KAPADIA
Chief General Manager & Company Secretary

Place : Mumbai,
Dated : 19th April, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration No. 152925**	**State Code 11**
	Balance Sheet Date 31-3-2006	
II.	**Capital raised during the year (Amount Rs. in thousands) :**	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
	Others	99,430
III.	**Position of Mobilisation and Deployment of Funds (Amount Rs. in thousands):**	
	Total Liabilities	11,51,44,165
	Total Assets	11,51,44,165
	Sources of Funds	
	Paid up Capital	49,70,640
	Reserves and Surplus	3,85,91,585
	Secured Loans	4,05,87,068
	Unsecured Loans	3,73,386
	Net Deferred Tax Liability	74,20,300
	Application of Funds	
	Net Fixed Assets	8,37,98,773
	Investments	8,50,751
	Net Current Assets	42,53,007
	Misc. Expenditure	30,40,348
	Accumulated Losses	Nil
IV.	**Performance of Company (Amount Rs. in thousands) :**	
	Turnover	7,14,90,418
	Total Expenditure	5,84,78,966
	Profit / (Loss) before Tax	1,30,11,452
	Profit / (Loss) after Tax	85,65,346
	Earning per share in Rs. (Basic)	55.57
	Earning per share in Rs. (Diluted)	55.57
	Dividend Rate (%)	80
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

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

MEHERNOSH H. KAPADIA
Chief General Manager & Company Secretary

Place : Mumbai,
Dated : 19th April, 2006

JSW Steel Limited
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