11th Annual Report 2004-2005

JINDAL VIJAYANAGAR STEEL LIMITED

JSW™

Our inspiration

"If we work hard and
be good to people around
we will surely succeed"

- Shri O P Jindal

August 7, 1930 - March 31, 2005

O P Jindal Group - Founder and visionary

our values

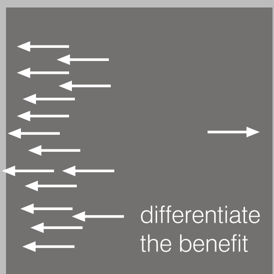
Young thinking

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

Young thinking

By year 2010
10 million tonnes

Our Values

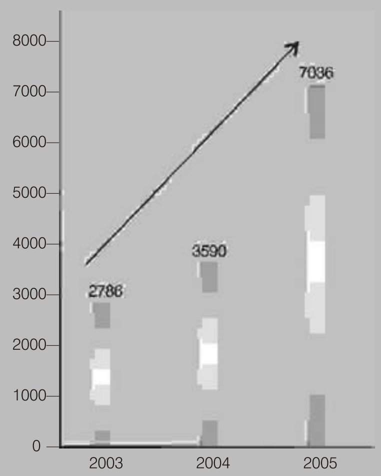
- The preparation and grooming of the next generation of young thinkers
- The continuous improvement of cost stewardship in the value chain
- The ability to nurture lasting customer relationships, by anticipating needs and delivering beyond expectations
- The catalyst for growth amongst the nation's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

year at a glance

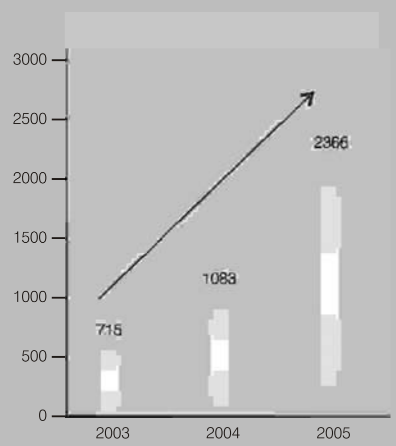
Highlights 2004-05

- Crude Steel Output 1.875 million tonnes.
- Monthly production of Hot Strip Mill surpasses 2 lacs tonnes.
- Gross Sales up by 96% to Rs.7,035.90 crores (2003-04 : Rs. 3590.49 crores).
- Export Sales up by 1816% to Rs.3,293.84 crores (2003-04 : Rs.171.93 crores).
- EBIDTA up by 118% to Rs.2,365.83 crores (2003-04 : Rs.1,083.42 crores).
- Cash Profit up by 180% to Rs.1,895.96 crores (2003-04 : Rs.676.28 crores).
- Profit after Tax up by 65% to Rs.870.11 crores (2003-04 : Rs.528.68 crores).
- Debt repayment/ prepayment of Rs.1079 crores.
- Dividend : 80% (30% Interim & 50% Final recommended)

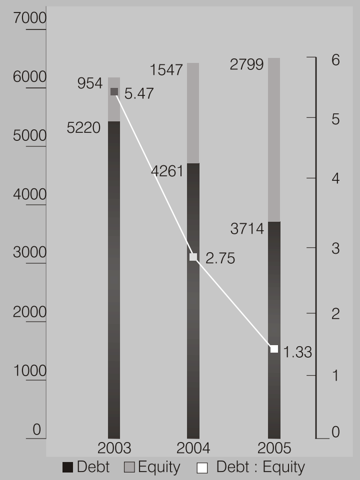
Gross Sales (Rs in crores)
3 years CAGR : 36.2%



EBIDTA (Rs in crores)
3 years CAGR : 49.0%



Debt Equity Ratio



awards & accolades

Young thinking

- **Frost & Sullivan India Manufacturing Excellence Award (IMEA)**
  · Silver Award for Processes
  · Special Award for Proactive Labour Management

- **'National Quality Award - 2004'** from Indian Institute of Metals for Best Quality Management Practices amongst Integrated Steel Plants

- **'Steel Eighties Award - 2004'** from Indian Institute of Metals to Dr Shyam Sunder Gupta

- **'Young Metallurgist Award - 2004'** from Indian Institute of Metals to Mr Shankar Marar

- **'Excellent Energy Efficient Unit National Award for Excellence in Energy Management- 2004'** by CII

- **'NASSCOM BEST IT User Award 2004'** - for Manufacturing sector

- **'Silver Award in Metal Sector - 2003-04'** for Outstanding Management practices in Safety & Health by Green Tech Foundation

- **'National Water Management Award 2004'** constituted by CII won in the category of 'Excellent Water Efficient Unit'

- **'CII - EXIM Bank Award-2004'** for strong commitment to Excel

- **'Commendation Certificate in Manufacturing Category for Leadership and Excellence in Safety, Health & Environment (SHE) for the year 2004'** by CII, Southern Region

Young thinking

Dear Fellow Shareholders,

As we were preparing to close our books for the eventful year 2004-2005, my father and the Jindal group founder, Shri O. P. Jindal left us for heavenly abode. Stories of his legendary achievements will remain a motivating source of inspirations for us, today and for generations to come.

Shri O. P. Jindal began his career as a farmer in a small village, Nalwa in Haryana and from there, with his belief in himself, rose to be the epitome of the steel industry. It was his conviction and vision, which saw, the Jindal Group rise to become the fourth largest industrial house in the country. He always told us, "if you work hard and be good to people, success will be with you". Shri O. P. Jindal is no longer with us, the void left by our founder's towering personality will be difficult to fill. However, we pledge that we will continue to move in the direction he has shown us.

We at JVSL have whole heartedly accepted this challenge to move forward, benchmarking ourselves against the best in the world – Our group founder would have expected nothing less from us all.

Our Goal: value-creation

In a large capital-intensive business such as ours, while our functional objective may be to produce steel, our primary goal has always been to enhance value. We at JVSL believe, that a project should not be sustained simply because it is there; it must in fact be run in an efficient manner to enhance value for those who own it and represent progress for all those associated with it.

To be able to achieve this on a sustainable basis, we've adopted futuristic technologies and in doing so, have created a quality enhancing, cost-effective and modern steel plant. As a result of which, JVSL today possesses one of the lowest conversion costs in the world accompanied by a declining servicing cost per tonne of steel produced.

In addition to this we've decided to focus on manufacturing value-added products. And value-added steel varieties have accounted for 40% of our product mix in 2004-05. We have merged our parent company Jindal Iron and Steel Company Limited (JISCO) with ours, thereby extending our value chain from iron-ore to pre-painted galvanized products. In 2004-05, we generated 47% of our turnover from exports and have emerged as India's largest exporter of galvanized steel products.

Overall, at JVSL we have managed to leverage our existing strengths and have encashed upon a significant industry upturn to report more than 51% increase in turnover, an increase of 58% in operating profit (among the highest in the industry) and 10% growth in profit after tax for 2004-05 for the merged entity on a comparable basis.

Our Achievements

We are today India's third largest integrated steel company with a capacity of 2.5 million tonnes of steel. We have a 15% market share in India and a 50% in our home base in South India, and have played a pivotal role in growing India's finished steel market from 14.84 million tonnes in 1991-92 to 38 million tonnes in 2004-05.

Not surprisingly then, we have reported a profit after tax of Rs 870.11 crores in 2004-05, the highest in JVSL's short existence and have chosen to share these benefits with our shareholders by announcing a dividend of 80% for the entire year.

letter to shareholders

Our Next Steps: De-risking /G row th

At JVSL, we recognise the growth of our business and the need to migrate to a low cost structure that will sustain us in good markets and bad. With this in mind, we' ve decided to expand our steel making facilities from 2.5 to 3.8 million tonnes at a cost of Rs 1,275 crores. We've also rationalized our debt-equity ratio from 2.37 in 2003-04 to 1.33 towards the end of 2004-05, enhancing our interest cover from 3.07 to 5.04 during the same period. This will improve on further consolidation. Furthermore, we've made all incremental capital investments with Company's gearing not exceeding 1.0 and a payback not exceeding two years. We are in the process of acquiring EURO IKON (which has a blast furnace with capacity of 0.9 MTPA) and EURO COKE (which manufactures coke with a capacity of 0.62 MTPA). These companies are currently operated and managed by JVSL.They supply molten steel and coke to JVSL.The Company is also acquiring JSW Power Limited, a 290 MW power plant. These acquisitions are subject to requisite statutory and other approvals. It is this low cost - high returns foundation that will see us become one of India's largest steel manufacturing companies.

Our Corporate Social Responsibility

At the Jindal Group, we are committed to partnering the community, respecting the environment and believe that we must, with honesty of purpose, make a difference in the environment in which we operate. This is our code of conduct as responsible Corporate Citizens. Not surprisingly then, at the Jindal Group we've always found time to address the issues of the common man (and especially those of the weaker sections of society). Shri O. P. Jindal will always be remembered for his extreme generosity, towards those sections of society which needed help. He was responsible for setting up several schools and had provided many with the best secondary and tertiary health care through the state-of-the-art hospitals. Apart from providing employment, both direct and indirect, the locals and the community at large have benefited from his ongoing rural development activities.

Our Inspiration

We would not be the Company we are today dear shareholders, without the guidance and leadership of my father and mentor, Shri O.P. Jindal. A businessman, a visionary and a philanthropist above all. A man who has shown us all by example, how to re-invest wealth created for the betterment of society at large. And how generously to return the favor when someone puts their faith and trust in our abilities and us.

Thank you.

Sincerely yours,

Sajjan Jindal
Vice Chairman & MD

BOARD OF DIRECTORS

Mrs. Savitri Devi Jindal
Chairperson

Mr. Sajjan Jindal
Vice Chairman &
Managing Director

Dr. B.N. Singh
Jt. Managing Director & CEO
(Upstream SBU)

Mr. Raman Madhok
Jt. Managing Director & CEO
(Downstream SBU)

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

Mr. Balaji Swaminathan
Nominee Director of
ICICI Bank Ltd.

Mr. R.N. Roy
Nominee Director of Industrial
Development Bank of India Ltd.

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

Mr. N.Gokulram, IAS
Nominee Director of KSIIDC

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

Mr. S.David Chandrasekaran
Nominee Director of LIC of India

Dr. S.K. GUPTA
Director

Mr. Anthony Paul Pedder
Director

Dr. Vijay Kelkar
Director

Mr. Sudipto Sarkar
Director

Dr. Ramaswamy P. Aiyar
Director

COMPANY SECRETARY
Mr. Mehernosh Homi Kapadia

STATUTORY AUDITORS
Lodha & Co., Mumbai

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

BANKERS
Allahabad Bank
ICICI Bank Ltd.
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, G.Deshmukh Marg,
Mumbai 400 026.
Tel.: 23513000 Fax : 23526400

WEBSITE
www.jvsl.com

WORKS
P.O. Toranagallu, Sandur Taluk,
Bellary District,
Karnataka – 583 123.

Vasind, Shahapur Taluk, Thane,
Maharashtra - 421 604.

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

REGISTRARS & SHARE TRANSFER AGENT
Karvy Computershare Pvt. Ltd.
T.K.N Complex,
51/2, Vani Vilas Road,
Opp. National College,
Basavanagudi,
Bangalore – 560 004.

CONTENTS

NOTICE

NOTICE is hereby given that the **ELEVENTH ANNUAL GENERAL MEETING** of the Shareholders of **JINDAL VIJAYANAGAR STEEL LIMITED** will be held on **Monday, 13th June, 2005** at **3.00 p.m.** at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date, together with the Report of the Board of Directors and the Auditors thereon.
2. To declare Dividend on preference shares.
3. To declare Dividend on equity shares.
4. To appoint a Director in place of Dr.S.K.Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. B.N.Singh, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Lodha & Co., Chartered Accountants, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Mrs.Savitri Devi Jindal, who was appointed as an Additional Director of the Company w.e.f 18.04.2005, by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mrs. Savitri Devi Jindal as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

8. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Mr. Anthony Paul Pedder, who was appointed as an Additional Director of the Company w.e.f 18.04.2005, by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Anthony Paul Pedder as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

9. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Dr. Vijay Kelkar, who was appointed as an Additional Director of the Company w.e.f 09.05.2005, by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Dr. Vijay Kelkar as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

10. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

    "RESOLVED THAT Mr. Sudipto Sarkar, who was appointed as an Additional Director of the Company w.e.f 09.05.2005, by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Sudipto Sarkar as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

11. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

    "RESOLVED THAT Mr. Raman Madhok, who was appointed as an Additional Director of the Company w.e.f. 04.02.2005 by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr.Raman Madhok as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

12. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

    "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Mr.Raman Madhok as the Joint Managing Director & CEO of the Company for a period of five years w.e.f. 04.02.2005 upon such terms and conditions as are set out in the Agreement, a copy of which is initialled by the Chairman for the purpose of identification and placed before this meeting, with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and / or agreement including the remuneration so as to not exceed a maximum limit of Rs.9,00,000/- p.m. as may be agreed to between the Board of Directors and Mr.Raman Madhok."

13. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

    "**RESOLVED THAT** in partial modification of the resolution passed at the Eighth Annual General Meeting of the Company held on 23.08.2002 and in accordance with the provisions of Sections 198, 269, 309 and 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the changes in the terms and conditions of appointment of Mr. Sajjan Jindal, including his re-designation as Vice Chairman & Managing Director of the Company w.e.f 04.02.2005 for the remainder of his tenure i.e upto 07.07.2007 as set out in the draft supplemental Agreement to be entered into between the Company and Mr. Sajjan Jindal, as submitted to this meeting and initialled by the Chairman of the meeting for the purpose of identification which supplemental agreement be and is hereby approved with specific authority to the Board of Directors of the Company to alter or vary the terms and conditions of the said appointment and /or agreement including the remuneration which shall not exceed a ceiling of Rs.56,25,000 p.m and commission not exceeding 0.5% of net profits as may be agreed to between the Board of Directors and Mr. Sajjan Jindal".

14. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

    "RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 as also of any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India (SEBI) and all other appropriate and/or concerned authorities and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company ("Board") (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board to offer, issue, and allot Global Depository Receipts (GDRs)/American Depository Receipts (ADRs)/ Foreign Currency Convertible Bonds (FCCBs) (hereinafter referred to as "Securities") Equity shares/warrants and / or instruments convertible into Equity shares optionally or otherwise for an aggregate sum upto US$ 500 million or equivalent in Indian and/or any other currency(ies) inclusive of such premium as may be permitted by the Ministry of Finance/ such other authorities, to all eligible investors including Indian/Foreign/ Resident/Non-resident Investors (whether Institutions, Incorporated Bodies, Mutual Funds / Trusts / Foreign Institutional Investors / Banks and/or otherwise, whether or not such investors are members, promoters, directors or their relatives/associates, of the Company) through Public Issue(s), Private Placement(s) or a combination thereof at such time or times in such tranche or tranches at such price or prices at a discount or premium to market price or prices in such manner and on such terms and conditions as may be deemed appropriate by the Board at the time of such issue or allotment considering the prevailing market conditions and other relevant factors, wherever necessary in consultation with the Lead Managers, Underwriters, advisors or including by way of Initial Public Offer in US or other countries, so as to enable the Company to get listed at any Stock Exchange in India and / or Luxembourg / London / New York / Singapore / Hong Kong Stock Exchange and /or any of the Overseas Stock Exchanges.

    RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable and to settle any questions, difficulty or doubts that may arise in regard to the offer, issue and allotment of securities.

    RESOLVED FURTHER THAT without prejudice to the generality of the above, issue of securities in international offering may have all or any term or combination of terms in accordance with the international practice.

    RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded to the Board in terms of section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, to secure, if necessary, all or any of the above mentioned Securities to be issued, by the creation of a mortgage and/or moveable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

    RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into and execute arrangements / agreements with Lead Managers/

Underwriters / Guarantors / Depository (ies) / Custodians/ Advisors and all such agencies as may be involved or concerned and to remunerate all such Lead Managers, Underwriters, Stabilising Agents and all other Advisors and Agencies by way of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any or the like.

RESOLVED FURTHER THAT the Company and/or any agency or body authorised by the Company may issue Global Depository Receipts and/ or other form of securities mentioned herein above representing the underlying equity shares issued by the Company in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets.

RESOLVED FURTHER THAT the Securities issued in international offering shall be deemed to have been made abroad in the markets and/ or in the place of issue of the Securities in international markets and shall be governed by English or American law or any other law as may be decided by the Board as the case may be.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise the mode and the terms of issue and allot such number of Equity Shares/Securities as may be issued and allotted upon conversion of any Securities referred to in the paragraph(s) above as may be necessary in accordance with the terms of offering and all such shares shall rank pari passu with the existing Equity Shares of the Company in all respects, excepting such rights as to dividend as may be provided under the terms of issue and in the offer document.

RESOLVED FURTHER THAT subject to necessary approvals, consents, permissions, the Board be and is hereby authorised to convert the Global Depository Receipts / Foreign Currency Convertible Bonds into ADRs or any other permitted Securities and list at NASDAQ / NYSE or in any other overseas / domestic Stock Exchanges."

15. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** in supersession of the Resolution passed at the Extra-Ordinary General Meeting of the Company held on 28th March, 2000 and pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board') for borrowing from time to time any sum or sums of money on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) including rupee equivalent of Foreign currency loans(such rupee equivalent being calculated at the exchange rate prevailing as on the date of the relevant foreign currency agreement) may exceed, at any time, the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, the total amount so borrowed in excess of the aggregate of the paid-up capital of the Company and its free reserves shall not at any time exceed Rs. 9000,00,00,000/- (Rupees Nine thousand crores only)."

16. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and are hereby authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, such amount or amounts the aggregate of which will not in any financial year, exceed Rs.25,00,00,000/- (Rupees Twenty Five Crores Only) or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 & 350 of the Act during the three financial years immediately preceding, whichever is greater."

17. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

"**RESOLVED THAT** subject to the approval of the Central Government pursuant to Section 21 and all other applicable provisions, if any, of the Companies Act, 1956, the name of the Company be and is hereby changed from 'Jindal Vijayanagar Steel Limited' to 'JSW Steel Limited'.

RESOLVED FURTHER THAT the name 'Jindal Vijayanagar Steel Limited' wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name 'JSW Steel Limited'".

18. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be and is hereby accorded for payment of Rs. 20,000/- (Rupees Twenty Thousand Only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as amended from time to time, as sitting fees for each meeting of the Board of Directors or the Committee(s) thereof, attended by the Non-Executive Directors of the Company".

By Order of the Board
For **JINDAL VIJAYANAGAR STEEL LIMITED**

Place: Mumbai
Date : 9th May, 2005

Mehernosh Homi Kapadia
Company Secretary

NOTES:

a] The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the businesses under items 7 to 18 set out above and the details under Clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors proposed to be appointed/re-appointed at the Annual General Meeting is annexed hereto.

b] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

c] The instrument(s) appointing the proxy, if any, shall be delivered at the Regd. Office of the Company, at Jindal Mansion, 5 A, G Deshmukh Marg, Mumbai-400 026 not less than forty eight (48) hours before the commencement of the Meeting and in default, the instrument of proxy shall be treated as invalid. Proxies shall not have any right to speak at the meeting.

d] The Register of Members and Share Transfer Books of the Company will remain closed from 03.05.2005 to 06.05.2005 (both days inclusive).

e] i) Final Dividend for the financial year ended 31.03.2005 declared at the meeting will be made payable on or before 12th July, 2005 in respect of Shares held in Physical form to those members who are entitled to the same and whose names appear in the Register of Members of the Company after giving effect to all valid Share Transfers lodged with the Company at the end of business hours on 02.05.2005 and in respect of shares held in the Electronic form to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited(NSDL) and the Central Depository Services(India) Limited(CDSL).

ii) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole/First joint holder, the following information on the Dividend Warrants:

i) Name of Sole/first joint holder and Folio No.

ii) Particulars of Bank Account viz.:

- Name of the Bank
- Name of Branch
- Complete address of the Bank with Pin Code Number
- Account type, whether saving (SB) or Current Account (CA).
- Bank Account number allotted by the Bank

In case of Shareholders holding shares in Electronic form Bank account details provided by the Depository Participants (DPs) will be used by the Company for printing on the dividend warrants. Shareholders who wish to change such bank accounts may advise their DP's about such change with complete details of Bank Account including MICR Code.

f] The amounts of the unclaimed dividend declared by the erstwhile Jindal Iron & Steel Company Limited(JISCO) upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Shareholders who have not yet encashed their Dividend Warrants for the said period are requested to forward their claims in Form No.II prescribed under The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to the Registrar of Companies Maharashtra, Hakoba Compound, 2nd Floor, Fancy Corpn. Ltd. Estate, Dattaram Lad Marg, Kalachowkie, Mumbai - 400 033.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Accordingly, JISCO has transferred to IEPF all unclaimed/unpaid dividends in respect of financial year 31.03.1997.

Members who have not encashed their dividends warrants for the year 1997-98 or thereafter are requested to write to the Company's Registrars and Transfer Agents.

g] Members are requested to intimate the Registrar and Share transfer Agents of the Company - Karvy Computershare Pvt Limited, TKN Complex, 51/2, Vani Vilas Road, Opp. National College, Basavanagudi, Bangalore – 560 004, immediately of any change in their address in respect of equity shares held in physical mode and to their Depository Participants (DPs) in respect of equity shares held in dematerialised form.

h] Members desirous of having any information regarding Accounts are requested to address their queries to the Chief General Manager (Finance & Accounts) at the Registered Office of the Company at least seven days before the date of the meeting, so that the requisite information is made available at the meeting.

i] Members holding Share certificates under different folio numbers but in the same order of name are requested to apply for consolidation of such folios and send relevant Share certificates to the Registrar and Share Transfer Agents of the Company.

j] Members/Proxies are requested to bring the attendance duly filled in.

k] As an austerity measure, copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT:

The Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 for item numbers 7 to 18 of the accompanying notice is as under:

Item No.7:

Mrs.Savitri Devi Jindal was appointed by the Board of Directors of your Company in their meeting held on 18.04.2005 as an Additional Director of your Company w.e.f 18.04.2005 in terms of Article 123 of the Articles of Association of your Company.

Mrs.Savitri Devi Jindal, aged 56 years is the wife of Late. Mr. O.P.Jindal renowned Industrialist and founder-Chairman of Jindal Group of Companies. She is the Director of Rohit Towers Building Limited and a patron of the Managing Committee of Vidya Devi Jindal Public School, Hisar, Haryana.

Your Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your Company, signifying his intention to propose the name of Mrs.Savitri Devi Jindal for appointment as a Director of your Company.

None of the Directors other than Mrs.Savitri Devi Jindal and Mr. Sajjan Jindal is concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.7 for your approval.

Item No.8:

Mr.Anthony Paul Pedder was appointed by the Board of Directors of your Company in their meeting held on 18.04.2005 as an Additional Director of your Company w.e.f 18.04.2005 in terms of Article 123 of the Articles of Association of your Company.

Mr.Pedder, aged 56 years, hails from Sheffield, Great Britain. He holds a BSc (Maths) Degree from West Ham College and MSc (Op. Research and Management Studies) from Imperial College, London. He is presently the Director and Chairman of Audit Committee of the £600million Shepherd Building Group of Companies, which is involved in construction & property development operating mainly in the U.K. Market and a manufacturing division, selling internationally. He is also Senior Advisor, HB Advisors, an FSA registered Corporate Finance Advisory arm of 4500 persons strong Global Mining and metal engineering and consulting Company-Hatch, having its Offices in London, Brisbane, Toronto and Beijing. He is also presently representing UK Government on a major European R & D Committee studying future Steel Industry Technology in his capacity as consultant, Department of Trade & Industry. Formerly he was the Chief Executive of Corus plc/British Steel plc, a leading Steel and Aluminium group, listed on the London, New York and Amsterdam Stock Exchanges, comprising large, medium and small businesses with total group sales of £3 billion-4 billion & housing 52,000 employees. He has served British Steel from 1972 to 2003. He is also the Director and Chairman, nomination Committee of Renaissance South Yorkshire Ltd, a Company responsible for delivering a range of strategic infrastructure and job creation projects having on hand 70 projects with a total value of £ 500 million aimed at creating 27,000 jobs. He brings with him very rich experience spanning over three decades.

Your Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your Company, signifying his intention to propose the name of Mr.Anthony Paul Pedder for appointment as a Director of your Company.

None of the Directors other than Mr.Anthony Paul Pedder is concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.8 for your approval.

Item No.9:

Dr.Vijay Kelkar was appointed by the Board of Directors of your Company in their meeting held on 09.05.2005 as an Additional Director of your Company w.e.f 09.05.2005 in terms of Article 123 of the Articles of Association of your Company.

Dr. Vijay Kelkar, aged 62 years, holds B.S., from University of Pune, India, 1963, M.S., from University of Minnesota, USA, 1965 and Ph.D from University of California Berkeley, USA, 1970.He is presently Chairman of IDFC-Asset Management Company, Mumbai, India Development Foundation, New Delhi, and Advisory Council, Citi Group. He is also member on the Board of several reputed Companies such as IDFC Asset Management Company Ltd, Tata Chemicals Ltd, Jet Airways (India) Ltd,Development Credit Bank, Mumbai, Hero Honda Motors Ltd, JM Financial Asset Management Pvt Ltd, Mumbai and Scientific Patent Pvt Ltd, Hyderabad.

He was also:

- Advisor to Minister of Finance, Government of India in the rank of a Minister of State, *from August, 2002 to September, 2004*
- Executive Director for India, Sri Lanka, Bangladesh and Bhutan at the International Monetary Fund, Washington, D.C., USA *from August, 1999 to August, 2002*
- Finance Secretary, Government of India, *1998-1999*
- Chairman, Tariff Commission, Government of India, *1997-1998*
- Secretary, Ministry of Petroleum & Natural Gas, Government of India, *1994-1997*
- Director & Coordinator, International Trade Division, UNCTAD, Geneva, Switzerland, *1991-1994*
- Chairman, Bureau of Industrial Costs & Prices and Secretary to the Government of India, New Delhi, *1987-1991*
- Secretary, Economic Advisory Council to the Prime Minister, Government of India, New Delhi, *1985-1988*
- Adviser, Economic Policy & Planning, Ministry of Petroleum & Natural Gas, Government of India, New Delhi,*1982-1987*
- United Nations, UNCTAD, Geneva, Switzerland – Consultant at the Office of the Secretary General, *1981-1982*
- Economic Adviser, Ministry of Commerce, Government of India, New Delhi, *1977-1981*.
- Consultant, Perspective Planning Division, Planning Commission, Government of India, New Delhi, 1973-1977.

Your Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your Company, signifying his intention to propose the name of Dr. Vijay Kelkar for appointment as a Director of your Company.

None of the Directors other than Dr. Vijay Kelkar is concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.9 for your approval.

Item No.10:

Mr.Sudipto Sarkar was appointed by the Board of Directors of your Company in their meeting held on 09.05.2005 as an Additional Director of your Company w.e.f 09.05.2005 in terms of Article 123 of the Articles of Association of your Company.

Mr. Sudipto Sarkar, aged 59 years, holds B.Sc. (Maths-Hons) from Presidency College, Kolkata, BA (Law Tripos) from Jesus College, Cambridge, UK, LL.M (International Law) from Jesus College, Cambridge, UK, M.A. (Law) from Jesus College, Cambridge, UK. He is also Barrister, Gray's Inn, London. He is presently practising as a senior advocate in the Calcutta High Court and has wide experience in Commercial Law particularly Company, Intellectual Property and Shipping Laws. He also has several publications to his credit on Law of Evidence, Law of Civil Procedures and Specific Relief Act. He is the collaborating editor of Ramaiya's Guide to the Companies Act and contributor to several volumes of International Law Reports (Cambridge).

He has also instituted the Sarkar Law lectures in Calcutta, where senior English judges such as Lord Slynn of Hadley, Lord Nicholls of Birkenhead and Lord Justice Robin Auld have lectured.

He has recently acted as an Arbitrator in dispute between ADAC Laboratories (A Philips Group Company) and Bangladesh Atomic Energy and was successful in getting an unanimous award passed in favour of ADAC Laboratories.

He was formerly Chairman of the Board of Directors of Clarion Advertising Services Ltd, now known as Bates India Ltd and President of The Bengal Club, Calcutta 1998-99.

Your Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your Company, signifying his intention to propose the name of Mr. Sudipto Sarkar for appointment as a Director of your Company.

None of the Directors other than Mr. Sudipto Sarkar is concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.10 for your approval.

Item No. 11 & 12:

Mr.Raman Madhok was appointed as an Additional Director w.e.f 04.02.2005 in terms of Article 123 of the Articles of Association of your Company, in the Board meeting held on 10th February, 2005. In the same Board Meeting he was also appointed as the Joint Managing Director & CEO of your Company.

Mr.Raman Madhok, aged 47 years, holds a MS., PGD (IR & PM) and Dip. (Trn & Dev.) and is an alumni of IIT, Delhi, XLRI, Jamshedpur and Manchester Business School U.K. He possesses over 20 years of experience and has an outstanding performance record during his association with the group since December 1995. He is also the Managing Director of Jindal Steel & Alloys Limited, and a Director on the Boards of Sapphire Technologies Limited and Jindal Thermal Power Company Limited.

Your Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your Company, signifying his intention to propose the name of Mr.Raman Madhok for appointment as a Director of your Company.

Members' approval is also sought for the appointment of Mr.Raman Madhok as Joint Managing Director & CEO for a period of five years with effect from 04.02.2005 and for the payment of salary and other perquisites to be fixed from time to time by the Board of Directors of your Company.

Considering his rich and varied experience spanning a period of over two decades and the rich contribution he has been making to the growth of your Company, it would be in the best interest of the Company to re-appoint Mr. Raman Madhok as Jt. Managing Director & CEO.

The remuneration of the Joint Managing Director & CEO will be so fixed by the Board of Directors from time to time that the Salary and the aggregate value of all the perquisites and allowances shall not exceed the overall ceiling on remuneration approved by the members in General Meeting. Further, the aggregate value of all the perquisites and allowances like furnished accommodation or House Rent Allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; Bonus; medical reimbursement; club fees and leave travel concession for himself and his family; medical insurance and such other perquisites and allowances in accordance with the rules of the company or as may be agreed to by the Board of Directors and Mr. Raman Madhok shall not exceed a maximum celing of 125% of his basic salary.

Your Directors have recommended a maximum remuneration of Rs.9,00,000/- per month.

The following perquisites shall not be included in the computation of the ceiling on remuneration specified above:

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

b) Gratuity as per rules of the Company (which shall not exceed one half month's Salary for each completed year of Service); and

c) Earned leave with full pay or encashment as per rules of the Company.

For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

In the event of loss or inadequacy of profits in any financial year, the Joint Managing Director & CEO shall be paid remuneration by way of salary and perquisites as specified above subject to approval of the Central Government, if required.

The Joint Managing Director & CEO shall not be eligible for any sitting fees for attending the Company's Board or Committee Meetings.

The Board of Directors may, in its discretion pay to Mr.Raman Madhok lower remuneration than the maximum remuneration herein above stipulated and revise the same from time to time within the maximum limit stipulated by this resolution.

The terms of remuneration of Mr.Raman Madhok has the approval of the Remuneration committee.

The above details may please be treated as an abstract of the terms of the agreement between the Company and Mr. Raman Madhok under section 302 of the Companies Act, 1956.

A copy of the agreement executed with Mr. Raman Madhok is available for inspection at the Registered Office of the Company from 10.00 A.M. to 12.00 Noon on all working days of the Company.

None of the Directors other than Mr. Raman Madhok is concerned or interested in the resolutions.

Your Directors recommend the resolutions as at item Nos.11 & 12 for your approval.

Item No. 13:

Mr. Sajjan Jindal was re-appointed as Managing Director of the Company in the Board meeting held on 30.05.2002 for a period of 5 years w.e.f. 07.07.2002 with no remuneration and perquisites. The same was approved by the members of the Company at their 8th Annual General Meeting held on 23.08.2002.

Mr. Sajjan Jindal was also the Chairman & Managing Director of the erstwhile Jindal Iron & Steel Co. Ltd., (JISCO) and drawing managerial remuneration from the said Company subject to a ceiling of Rs.22,50,000 p.m. With the Scheme of Arrangement and Amalgamation between the Company, JISCO & Jindal South West Holdings Ltd (JSWHL) becoming effective from 04.02.2005, JISCO stands dissolved without being wound up on the said date.

In view thereof, the Board in its meeting held on 10.02.2005 re-designated Mr. Sajjan Jindal, as Vice Chairman & Managing Director and approved payment of remuneration to him from the Company.

Members' approval is sought for the above change in terms & conditions of appointment of Mr. Sajjan Jindal with effect from 04.02.2005 and for the payment of salary and other perquisites to be fixed from time to time by the Board of Directors of your Company.

The remuneration of the Vice Chairman & Managing Director will be so fixed by the Board of Directors from time to time that the salary, perquisites and allowances shall not exceed overall ceiling on remuneration approved by the members in General Meeting. Further the aggregate value of all the perquisites and allowances like furnished accommodation or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; Performance Incentive; medical reimbursement; club fees and leave travel concession for himself and his family; medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. Jindal shall not exceed a maximum ceiling of 125% of his Basic salary.

Your Directors have recommended a maximum remuneration of Rs. 56,25,000/- per month.

The following perquisites shall not be included in the computation of the ceiling on remuneration specified above:

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

b) Gratuity as per rules of the Company (which shall not exceed one half month's Salary for each completed year of Service); and

c) Earned leave with full pay or encashment as per rules of the Company.

For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Members approval is also sought for the payment of commission to the Vice Chairman & Managing Director @ 0.5% of Net Profits which shall also not be included in the computation of the said ceiling of Rs. 56,25,000/- per month.

The terms of remuneration of Mr.Sajjan Jindal has the approval of the Remuneration committee.

In the event of loss or inadequacy of profits in any financial year, the Vice Chairman & Managing Director shall be paid remuneration by way of salary and perquisites as specified above, subject to approval of the Central Government, if required.

The Vice Chairman & Managing Director shall not be eligible for any sitting fees for attending the Company's Board or Committee Meetings.

The Board of Directors may, in its discretion pay to Mr. Sajjan Jindal lower remuneration than the maximum remuneration herein above stipulated and revise the same from time to time within the maximum limit stipulated by this resolution.

All other terms and conditions of the appointment of Mr. Sajjan Jindal as approved by the Members at the 8th Annual General Meeting held on 23.08.2002 remain unchanged.

A copy of the Draft Supplemental agreement to be executed with Mr. Sajjan Jindal is available for inspection by the members of the Company at its Registered Office from 10.00 A.M. to 12.00 Noon on all working days of the Company.

The above details may also be treated as an abstract of the terms of the draft Supplemental agreement between the Company and Mr. Sajjan Jindal under the provisions of Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. Sajjan Jindal and Mrs.Savitri Devi Jindal is concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.13 for your approval.

Item No. 14:

The Company proposes to incur capital expenditure on various projects as under:

		(Rs. in Crores)
a.	Normal Capital expenditure	285
b.	Pellet plant expansion from 4.2 MTPA to 5 MTPA (balance to be incurred)	32
c.	HSM modernisation(balance to be incurred)	140
d.	Expansion from 2.5 MTPA to 3.8 MTPA (balance to be incurred) (including the rupee loan financing of 850 Crores)	1082
e.	Cold Rolling Complex (including loan components)	900
	Total	**2439**

The Company's debt gearing as on 31st March 2005 was 1.33 and considering the incremental debt to be raised in phases and planned repayments, the Company can achieve debt gearing of less than 1:1 earlier than March 2006. As the Steel Industry is doing extremely well and India is being perceived as a favoured investment destination by various Investors / Fund Managers, it is an opportune time to raise resources through equity / quasi equity instruments and to strengthen the Company's financials further and faster. It is therefore proposed to raise upto US $ 500 million by issuing securities in the form of either Global Depository receipts or American Depository receipts or Foreign Currency Convertible Bonds or Equity shares / Warrants and / or instruments convertible into equity shares optionally or otherwise for an aggregate sum of US $ 500 million. In order to finance the Company's expansion plans and/ or other corporate purposes, the Company may raise the above capital in India / International market in one or more tranches. Members approval is sought for raising this amount and also to authorise the Board of Directors to mobilise adequate resources upto US$ 500 million to meet the growing needs of the Company and to finalise the detailed terms of issue including the pricing of the issue which will be fixed keeping in view the capital market conditions / practices and guidelines, if any, issued by the Securities and Exchange Board of India (SEBI) and in consultation with Lead Managers, Merchant Bankers and other Advisers subject to other regulatory requirements / approvals.

The proposed resolution is an enabling resolution to authorise the Board of Directors to mobilise adequate resources to meet the growing needs of the Company depending on market dynamics by way of issue of GDRs / ADRs / FCCBs and other Securities.

Whilst the specific instrument/s that may be issued by the Company have not been identified at this stage, in the event the Company issues any equity linked instrument, the issue will be structured in such a manner such that the additional share capital that may be issued would not be more than 35% of the existing paid-up equity capital of the Company.

The said Securities may, if necessary, be secured by way of first mortgage/hypothecation on the Company's assets in favour of the security holders/trustees for the holders of the Securities. As the documents to be executed between the security holders/trustees for the holders of the said Securities and the Company may contain the power to take over the management of the Company in certain events, it is necessary for the Company to seek consent of the members under section 293(1)(a) of the Companies Act, 1956 before creation of the security.

The Listing Agreement executed by the Company with the Stock Exchanges in India where the Company's securities are listed and the provisions of Section 81(1A) of the Companies Act, 1956 provide, interalia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be first offered to existing shareholders of the Company for subscription unless the shareholders in General Meeting decide otherwise.

Since the proposed resolution, if passed, may result in issue of shares of the Company otherwise than to its members, consent of the members is being sought pursuant to the aforesaid provisions of the Companies Act, 1956 and the Listing Agreement.

None of the Directors is in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution as at item No.14 for your approval.

Item No. 15:

At the Extra-Ordinary General Meeting of the Company held on 28th March 2000, the members had pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956 authorised the Board of Directors of the Company to borrow from time to time, a sum of money (apart from temporary loans obtained from bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves provided that the sum or sums so borrowed and remaining outstanding at one time shall not exceed Rs.6000 Crores (Rupees Six thousand Crores only) in excess of the aggregate paid-up capital of the Company and its free reserves. Clause 31.2 of the Scheme of Arrangement and Amalgamation between the Company (JVSL), Jindal Iron and Steel Co Ltd (JISCO) and Jindal South West Holdings Ltd (JSWHL) and their respective members and Creditors (the "Scheme") sanctioned by the High Court of Judicature at Mumbai and the High Court of Karnataka provides that the borrowing limits of JVSL in terms of Section 293(1)(d) of the Companies Act, 1956, shall be deemed without any further act or deed to have been enhanced by the aggregate limits of JISCO(Rs.1200 Crores).

As the Company proposes to issue Foreign Currency Convertible Bonds (FCCB)/American Depository Receipts (ADR)/Global Depository Receipts (GDR) upto a limit of US$ 500 million for financing its expansion and acquisition plans, the said limit of Rs.7200 Crores in excess of the aggregate paid-up capital of the Company and its free reserves may be utilised to a considerable extent. It is, therefore proposed to increase this limit from the existing Rs.7,200 Crores (Rupees Seven Thousand Two Hundred Crores only) to Rs.9,000 Crores (Rupees nine thousand Crores only) in excess of the aggregate paid-up capital of the Company and its free reserves and the resolution as at item no. 15 is being proposed in view of the provisions contained in Section 293 (1) (d) of the Companies Act 1956.

Vide Resolution passed by the members of the Company in their Extra Ordinary General Meeting held on 28.03.2000, the Board of Directors have been empowered to mortgage and/or charge in addition to the mortgage/ charges created by the company all or any part of the movable and/or immovable properties of the Company wherever situated both present and future, and/or create a floating charge on all or any part of the immovable property of the Company to secure the borrowings of the Company within the overall ceiling prescribed by the members of the Company, in terms of section 293(1) (d) of the Companies Act, 1956. Therefore no fresh consent is being sought under section 293(1) (a) of the Companies Act, 1956, once again.

None of the Directors is in anyway concerned or interested in the resolutions.

Your Directors recommend the resolution as at item No.15 for your approval.

Item No. 16:

Sub-section (1) (e) of Section 293 of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Company shall not except with the consent of such Public Company in General Meeting, contribute to charitable and other funds not directly related to the business of the company or welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed Rs. 50,000/- or 5% of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act, during the three financial years immediately preceding, whichever is greater.

Members of the Company had in their 10th Annual General Meeting held on 30th December, 2004 authorised the Board of Directors to contribute to Charitable & other funds not directly relating to the business of the Company or the welfare of its employees, upto a sum of Rs. 5.00 crores in any financial year. Members may be aware that the Company has grown considerably over the years with substantial improvement in its financial position consequently increasing its Corporate Social Responsibilities. Accordingly, in order to enable the Company to contribute more towards charitable and other funds not directly relating to the business of the Company or the welfare of its employees, approval of members is sought to authorise the Board of Directors to make the aforesaid contribution of such an amount in any financial year which will be greater of Rs.25 crores or 5% of average net profits of the Company as determined in accordance with the provisions of Sections 349 and 350 of the Act, during the immediately preceding three financial years.

None of the Directors is in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution as at item No.16 for your approval.

Item No. 17:

It is proposed to change the name of your Company from Jindal Vijayanagar Steel Limited to *JSW Steel Limited* to bring the name of the Company more inline with the Brand image that is being created under JSW group (part of O.P. Jindal group) and to forge a separate and distinct indentity of its own. Members approval is sought to change the name of the Company from 'Jindal Vijayanagar Steel Limited' to '*JSW Steel Limited*'.

It may be noted that by its order dated 20.01.05, the Karnataka High Court sanctioned the Scheme of Arrangement & Amalgamation and further ordered that in view of Clause 37 of the Scheme, from the effective date, the name of the Company shall be changed to Jindal Iron & Steel Company Limited subject to the compliance of the provisions of the Companies Act, 1956 (the Act). Section 21 of the Act, provides that a Company may by special resolution and with the approval of the Central Government signified in writing, change its name. In view of the present proposal to change the name of the Company to JSW Steel Limited, the Company sought and obtained legal opinion to the effect that such change of name (to JSW Steel Limited) would be in order, if provisions of Section 21 of the Act are complied with.

The Registrar of Companies, Karnataka has conveyed the availability of the name 'JSW Steel Limited' vide his Letter No.CN/51297/2004-05 dated 01.03.2005.

None of the Directors is in anyway concerned or interested in the resolution.

Your Directors recommend the resolution as at item No.17 for your approval.

Item No. 18:

The Securities and Exchange Board of India has issued a circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting the revised clause 49 relating to corporate governance requirements to be fulfilled by the Companies. Your Company is required to comply with the same on or before 31st December, 2005. One of the requirements stipulated under the revised clause 49 is that all the fees / compensation payable to Non-Executive Directors, including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present, the Company is paying to all the Directors of the Company excluding the Chairperson, Managing Director and Whole-time Directors sitting fees of Rs. 20,000/- for each of the meeting of the Board of Directors or committee(s) thereof attended by them.

In view of the revised clause 49 of the Listing Agreement, the approval of members is requested for the payment of sitting fees to the Directors of the Company.

All of the Directors except Mr. Sajjan Jindal, Dr. B. N. Singh, Mr. Raman Madhok and Mr. Seshagiri Rao M.V.S. are concerned/ interested in the resolution.

Your Directors recommend the resolution as at item No.18 for your approval.

By Order of the Board
For **JINDAL VIJAYANAGAR STEEL LIMITED**

Place: Mumbai
Date : 9th May, 2005

Mehernosh Homi Kapadia
Company Secretary

Details of Directors seeking appointment / reappointment at the forthcoming Annual General Meeting
[Pursuant to Clause 49 of the Listing Agreement]

Name of the Director	Dr.S.K.Gupta	Dr.B.N.Singh	Mrs. Savitri Devi Jindal	Mr. Anthony Paul Pedder	Mr. Raman Madhok	Dr. Vijay Kelkar	Mr. Sudipto Sarkar
Date of Birth	18.03.1938	01.06.1948	30.03.1949	28.06.1949	16.01.1958	15.05.1942	21.03.1946
Date of appointment	25.04.1994	13.10.2003	18.04.2005	18.04.2005	04.02.2005	09.05.2005	09.05.2005
Expertise in Specific Functional areas	Dr.S.K.Gupta, a technocrat has served as CEO/Director on the Board of several reputed Companies like SAIL, Rourkela Steel, MECON, RINL, Mishra Dhatu Nigam Ltd IDBI, HZL etc. He was a Technical/ Management Consultant to Voest Alpine Industrieanlagenbau Gmbh, Austria, Caparo group, London and the Government of Orissa. He was member of several International and National Committees instituted by IISI, Ministry of Steel, Department of Science and Technology, CSIR etc. He was a UNESCO Fellow to MOSCOW Steel Institute and has been the receipt of several awards like Metallurgist of the year award, 1980, National Metallurgist Award 1998 etc. He has published over 70 research papers in India and Abroad on Technology and Management, a monograph on Blast Furnace Iron making.	Dr. B.N.Singh was formerly Director General of LNM Group's Algeria Plant. Dr. Singh is credited with the turnaround of the ailing Rashtriya Ispat Nigam Ltd., Vizag, which he took over as Chairman & Managing Director in 1997. He had a distinguished association with SAIL for over a decade in varied assignments including ED (In-Charge) and Director (Personnel), ED (Works)-IISCO Burnpur, Managing Director-Rourkela Steel Plant, Chairman & Managing Director-Rashtriya Ispat Nigam Ltd. His stint of nearly 17 years with TISCO before joining SAIL gave him an opportunity to work in Research and Marketing	Mrs. Savitri Devi Jindal is the Director of Rohit Towers Building Limited. She is also a patron of the Managing Committee of Vidya Devi Jindal Public School, Hisar, Haryana.	Mr. Anthony Paul Pedder is presently the Director and Chairman of Audit Committee of the £600million Shepherd Building Group of Companies, which is involved in construction & property development operating mainly in the U.K. Market and a manufacturing division, selling internationally. He is also Senior Advisor, HB Advisors, an FSA registered Corporate Finance Advisory arm of 4500 persons strong Global Mining and metal engineering and consulting Company-Hatch, having its Offices in London, Brisbane, Toronto and Beijing. He is also presently representing the UK Government on a major European R & D Committee studying future Steel Industry Technology. Formerly he was the Chief Executive of Corus plc/British Steel plc and has served British Steel from 1972 to 2003. He has also held various responsibili-ties as member of British Steel Executive Committee	Mr. Raman Madhok, an Alumnus of IIT, Delhi, XLRI, Jamshedpur and Manchester Business School U.K. He has nearly 24 years of experience with reputed Companies like Voltas, Taj Group of Hotels, Pfizer, Parke Davis and Cynamide India. He is a reciepent of British Chevening Scholarship and Eisenhower Fellowship.	Dr. Vijay Kelkar, is presently Chairman of IDFC-Asset Management Company, Mumbai, India Development Foundation, New Delhi, and Advisory Council, Citi Group. He is also member on the Board of several reputed Companies. He was also Advisor to Minister of Finance, Government of India in the rank of a Minister of State, Finance Secretary, Government of India Chairman, Tariff Commission, Government of India Secretary, Economic Advisory Council to the Prime Minister, Government of India, New Delhi Advisor, Economic Policy & Planning, Ministry of Petroleum & Natural Gas, Government of India, New Delhi United Nations, UNCTAD, Geneva, Switzerland – Consultant at the Office of the Secretary General	Mr. Sudipto Sarkar, is presently practising as a senior advocate in the Calcutta High Court and has wide experience in Commercial Law particularly Company Law, Intellectual Property and Shipping Laws. He also has several publications to his credit on Law of Evidence, Law of Civil Procedures and Specific Relief Act. He is the collaborating editor of Ramaiya's Guide to the Companies Act and contributor to several volumes of International Law Reports (Cambridge).
Qualification	B.Sc (Met. Engg), Ph.D(Tech) & D.Sc(Tech).	BSc (Metallurgy), M.Tech (Metallurgy) , MBA and Doctorate in Metallurgy.	Under graduate	B.Sc (Maths)M.Sc (Operation Research and Management Studies).	MS., PGD(IR & PM) and Dip. (Trn & Dev).	B.S., M.S., and Ph.D	B.Sc. (Maths-Hons), BA (Law Tripos), LL.M. (International Law), M.A. (Law) Barrister, Gray's Inn, London.
Directorship in other Indian Public Ltd. Companies as on 31.03.2005	Jindal South West Holdings Ltd. Vesuvius India Ltd. Encore Software Ltd.	Nil	Rohit Towers Building Ltd.	Nil	Jindal Steel & Alloys Ltd., Sapphire Technologies Ltd., Jindal Thermal Power Co Ltd. South West Port Ltd.	IDFC Asset Management Company Ltd., Tata Chemicals Ltd., Jet Airways (India) Ltd., Development Credit Bank, Hero Honda Motors Ltd.	Nil
Chairmanship/ Membership of Committees in other Indian Public Limited Companies # (C = Chairman) (M= Member)	**Shareholders/Investor Grievance Committee** Jindal South West Holdings Ltd. (M), Vesuvius India Ltd. (M) **Audit Committee** Vesuvius India Ltd. (C), Encore Software Ltd. (C)	Nil	Nil	Nil	**Audit Committee** South West Port Ltd. (M) **Remuneration Committee** Jindal Thermal Power Co Ltd. (M) South West Port Ltd. (M)	Nil	Nil

Only three Committees i.e. Audit Committee, Remuneration Committee and Shareholders/ Investors Grievance Committee have been considered.

DIRECTORS' REPORT

Dear Members,

Your Directors present the 11th Annual Report of the Company along with the Audited Accounts for the year ended 31st March 2005.

1. HOMAGE

Your Directors place on record their deep regret on the untimely demise of Shri O.P.Jindal, the founder of the Jindal Group of Companies. Shri O.P. Jindal was a doyen of the Indian steel industry fired by a strong spirit of nationalism and self-reliance. He served as a role model for an entire generation of entrepreneurs. Your Company benefited immensely from his guidance in emerging as India's third largest integrated steel manufacturer and will continue to be inspired by his vision.

2. FINANCIAL RESULTS

(Rs. in crores)

Sr. No.	Particulars	Post Merger 31.03.2005	Post Merger 31.03.2004	Pre-Merger 31.03.2004
1.	Gross Sales	**7035.90**	4672.94	3590.49
	Less: Excise Duty	**356.54**	324.10	316.53
	Net Sales	**6679.36**	4348.84	3273.96
2.	Other Income	**18.98**	31.78	23.03
	Total Revenue	**6698.34**	4380.62	3296.99
3.	Gross Profit before Interest, Depreciation, Miscellaneous Expenditure written off, Exceptional Items & Taxation	**2365.83**	1499.62	1083.42
4.	Interest	**469.87**	488.35	407.14
5.	Cash Profit	**1895.96**	1011.27	676.28
5.	Depreciation and Miscellaneous Expenditure written off	**420.02**	439.43	376.88
6.	Profit before Exceptional Items & Taxation	**1475.94**	571.84	299.40
7.	Exceptional Items	**(3.33)**	390.76	390.76
8.	Profit before Taxation	**1472.61**	962.60	690.16
9.	Tax including Deferred Tax	**(602.50)**	(169.22)	(161.48)
10.	Profit for the year after taxation	**870.11**	793.38	528.68
11.	Balance Brought forward from Previous Year	**(131.90)**		(660.58)
12.	Amount available for appropriation	**738.21**		-
13.	Appropriations:			
(a)	Transfer to Debenture Redemption Reserve	**25.00**		-
(b)	Dividend on Preference Shares for FY 2003-04	**19.59**		-
(c)	Dividend on Preference Shares for FY 2004-05	**27.91**		-
(d)	Interim Dividend on Equity Shares @ 30%	**38.71**		-
(e)	Proposed Final Dividend on Equity Shares	**64.52**		-
(f)	Tax on Equity and Preference Dividend	**20.58**		-
(g)	Transfer to General Reserve	**87.02**		-
	Total	**283.33**		-
14.	Balance carried to Balance Sheet	**454.88**		(131.90)

The figures represented in the column 'Pre-Merger' reflect the results of the un-merged Company for the year ended 31st March 2004. However, as the Scheme of Arrangement & Amalgamation ('Scheme') has become effective during FY 2004-05, from the Appointed Date being 1st April 2003, the results for FY 2003-04 have been provided, giving effect to the Scheme, for a quick comparison with the results of the FY 2004-05.

The financial year 2004-05 represented a watershed in the history of your Company. Total revenues increased from Rs.3296.99 Crores in 2003-04 to Rs. 6698.34 Crores in 2004-05 registering a growth of 103%. Interest outgo was lower due to debt prepayments/repayments/refinancing resulting in a reduction of its weighted average cost. Notwithstanding steep increase in the prices of inputs, the EBIDTA margin improved to 35% of net sales while profit after tax rose by 65% to Rs 870.11 Crores.

3. DIVIDENDS

The Board of Directors, at its Meeting held on 10th February 2005, declared an interim dividend of Rs. 3/- per Equity share (30% on an Equity share of Rs. 10/-).

Considering the excellent performance for the year under review and the financial position of the Company, the Board of Directors are pleased to recommend a final dividend of Rs.5/- per Equity share for your approval. The final dividend shall be payable to all Equity shareholders whose names appear in the Register of Members as on 6th May 2005 and to beneficial holders, as per details furnished by National Security Depository Limited and Central Depository Services (India) Limited.

If the final dividend, as recommended above, is approved by the Members at the forthcoming Annual General Meeting, the total dividend for the year ended on 31st March 2005 will amount to Rs. 8/- per Equity share (80%).

Arrears of dividend on 27,90,34,407 10% Cumulative Preference Shares (10% CRPS) for the period 19th July 2003 to 31st March 2005 were paid during the year to the registered holders of Preference Shares.

Your Directors recommend dividend at the stipulated rate on the aforesaid 10% CRPS for the year ended 31st March, 2005.

4. OPERATIONS

In the very first year of operations as a merged entity, your Company recorded an impressive performance:

Product Category	Production (million tons)
Crude Steel	1.88
Pellets	3.62
HR Coils	1.78
Galvanized Coils / Sheets	0.69

In operating parameters, the BOF Converter-1 recorded a lining life of 4584 heats, an industry record.

5. SCHEME OF ARRANGEMENT & AMALGAMATION

Your Company concluded the Scheme of Arrangement & Amalgamation approved by the Hon'ble High Courts of Bombay and Karnataka vide order dated 3rd September, 2004 and 20th January, 2005 respectively with the merger of steel business of Jindal Iron & Steel Company Limited with your Company.

The merger, undertaken to unleash value for shareholders, has created India's third largest Integrated Steel manufacturer with competitive synergies across the entire value chain (iron ore to pre-painted galvanized products) of the steel industry.

Your Directors are optimistic that this merged entity possesses attractive economies of scale, cost, gearing and synergy straddling a whole value chain; this will enable the Company to compete successfully across periods, segments and geographies.

6. PROJECTS AND MAJOR MODIFICATIONS

The following projects were completed and became operational during the year under review:

- Expansion of the Pellet plant capacity from 3.0 MTPA to 4.2 MTPA in June 2004.
- Commissioning of a blast furnace with an installed capacity of 0.9 MTPA under an Operations & Maintenance (O&M) agreement with Euro Ikon Iron and Steel Private Limited in August 2004 enabled the Company to achieve higher volumes and capitalize on increasing prices in buoyant market conditions.
- Commissioning of the second re-heating furnace of the Hot Strip Mill (HSM) increased capacity from 1.6 MTPA to 2.0 MTPA and enhanced the Company's flexibility to manufacture thin gauges of HR Coils.
- Commissioning of an online pellet screening station between the Pellet plant and the iron making section in December 2004.
- Commissioning of the first 100 MW power plant using the waste gases from the Blast Furnace / BOF / COREX set up by JSW Power Limited and leased to your Company in April 2005. This plant was synchronized with the Karnataka state power grid in February 2005 and will reduce power costs significantly.
- Commissioning of the Non-recovery type Coke oven plant with a capacity of 0.62 MTPA in March 2005, which your Company is to operate under an O&M agreement with Euro Coke & Energy Private Limited. The plant is based on vibro-compaction technology and is the first-of-its-kind in the world with energy recovery provisions. This plant is fully operational and is expected to shield the Company from rising coke prices.
- Commissioning of a new Galvanizing line with a capacity of 35000 TPA for manufacturing ultra-thin gauge GI products at Tarapur, in January 2005.
- Commissioning of a new 6 Hi Cold rolling mill for producing ultra-thin gauges of CR with a capacity of 0.10 MTPA and rolling speed of 1200 metres per minute (mpm), in March 2005.

Following these additions and modifications, your Company now has an installed capacity of 2.5 MTPA of Crude Steel, 2.0 MTPA of Hot Rolled Coils, Cold Rolling capacity of 1 MTPA and Galvanizing capacity of 0.90 MTPA.

New projects under implementation

In order to capitalize on the emerging opportunities, your Company has charted out plans to expand the capacity of crude steel from 2.5 MTPA to 3.8 MTPA by March 2006. The expansion and other capital expenditure requirements would involve an investment of around Rs.1500 crores, comprising the following:

- By increasing Iron/Steel manufacturing capacity from 2.5 MTPA to 3.8 MTPA through the addition of one Blast Furnace, one Converter (123 cc m), one Slab Caster and two 300 TPD lime calcination units along with Coke and Sinter plants to meet additional requirements.
- By modernizing the Hot Strip Mill to enhance capacity from 2.0 MTPA to 2.5 MTPA.
- By upgrading the Pellet Plant from 4.2 MTPA to 5 MTPA.
- By installing a pre-painted Galvanized Iron line with a capacity of 0.1 MTPA

These plans, when implemented, will enhance your Company's range of value-added products and reduce specific capital investment cost per tonne of installed capacity below international benchmarks.

Presently, the capacity at the Vijayanagar plant is in the realm of basic products; your Company possesses the necessary infrastructure to produce value-added products. In order to meet the growing demand of products like CR & CRCA, especially in the automotive and auto component sectors, your Company proposes to set up a 1.0 MTPA Cold Rolling Complex. According to the techno- economic feasibility study conducted by MECON Limited, the cost of setting up this project is estimated at Rs. 900 crores and is expected to be completed in 24 months to be financed out of cash accruals (Rs.400 crores) and Debt (Rs.500 crores).

7. PROSPECTS

The outlook for the global steel industry is optimistic for the following reasons:

- The global demand for steel products is expected to grow by about 5%.
- Steel consumption is increasing in USA, China, Japan and Russia.
- There has been a closure of a number of steel plants in the developed nations.

Besides, the growth of the Indian economy is expected to strengthen the demand for steel. The National Steel Policy 2003 has targeted an increase in India's steel capacity from 35 MTPA to 100 MTPA by 2018.. The Indian Government has committed itself to the creation of world-class infrastructure through the announcement of various development schemes. The opening up of the construction sector to foreign investment, impetus for power generation and distribution, commissioning of road development and rural housing projects across India are expected to sustain steel demand in India. Your Company, with its presence in both the basic steel and value-added segments, expects to capitalize on these developments.

8. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

- **JINDAL THERMAL POWER COMPANY LIMITED (JTPCL)**

  Both units of JTPCL performed at high PLF levels. Out of the net generation of 1826 MUs, JTPCL supplied 1329.50 MUs of power to your Company during FY2004-05 to service the demands of your Company and JPOCL. The balance of 496.50 MUs was supplied to Karnataka Power Transmission Corporation Limited. JTPCL was awarded the 'Honest Tax Payee' award by the Department of Commercial Taxes, Govt. of Karnataka for proper and timely compliance with applicable laws.

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

  As per the last Audited Financial Statements for the year ended 31st March 2003 of JPOCL, the reported turnover and net profit after tax were Rs. 275.71 Crores and Rs. 29.10 Crores respectively. Audited results for the year ended 31st March 2004 are yet to be provided.

  Your Company has made certain claims on JPOCL for an amount aggregating to Rs 93.79 Crores on account of power, credit for excess billings and other related issues. Apart from the above, certain other claims of the Company on JPOCL are also pending. JPOCL has raised claims on your Company for Rs 30.90 Crores in respect of various commercial issues. The claims of JPOCL have not been acknowledged by your Company as debts and have been classified as contingent liabilities; similarly the claims made by your Company have not been accounted, pending their settlement. These matters are currently under arbitration.

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

  During the FY 2004-05, 1.26 million tonnes of iron ore were despatched from the Thimmappanagudi Iron Ore mines, a growth of 21%. An additional area of 98.22 hectares was sanctioned to VMPL. The despatches from VMPL during FY 2005-06 are expected to be 2.0 million tonnes. Environmental protection measures such as dump stabilization and back filling operations were completed. VMPL plans to meet nearly 50% of the iron ore requirements of your Company and is pursuing with the Government of Karnataka for allocation of additional mining areas to meet the entire iron ore requirements of your Company.

9. FIXED DEPOSITS

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

10. DIRECTORS

Dr. S. K. Gupta and Dr. B. N. Singh, 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.

KSIIDC nominated Mr. I. M. Vittala Murthy, IAS as its nominee with effect from 22nd November 2004 and withdrew the nomination of Mr. K. Jairaj, IAS, with effect from 11th October 2004. IFCI Limited has withdrawn the nomination of Mr. R.P.Singh with effect from 30th March 2005. UTI Asset Management Co. Pvt. Ltd. has nominated Mr. S. Jambunathan, IAS (Retd.) with effect from 9th May, 2005.

Mrs. Savitri Devi Jindal & Mr. Anthony Paul Pedder were appointed as Additional Directors with effect from 18th April 2005. Dr. Vijay Kelkar and Mr. Sudipto Sarkar were appointed as Additional Directors with effect from 9th May 2005. Mr. Raman Madhok was appointed as Additional Director with effect from 4th February 2005. Your Company has received notices under Section 257 of the Companies Act, 1956 proposing them for the Office of Director to be elected by the members in the ensuing Annual General Meeting.

Mr. P. R. Jindal resigned as Chairman and Director of the Company with effect from 14th April 2005.

Mrs. Savitri Devi Jindal was elected to be the Chairperson of your Company in place of Mr. P. R. Jindal, at the Board Meeting held on 18th April 2005.

Your Directors appointed Mr. Raman Madhok as Jt. Managing Director & CEO of the Downstream SBU with effect from 4th February 2005 for a period of five years subject to necessary approvals. The proposal regarding his appointment as Jt. Managing Director & CEO is also placed for your approval.

Your Directors place on record their deep appreciation of the valuable services rendered by Mr. P. R. Jindal, Mr. K.Jairaj and Mr. R.P.Singh during their tenure as Directors.

11. SHARE CAPITAL

Pursuant to the Scheme of Arrangement & Amalgamation ('Scheme') refered to in Item No. 5 of this Report, the Company's Equity capital has been reorganized from Rs.1291,09,71,250 to Rs.56,48,55,000 comprising of 5,64,85,500 Equity shares of Rs.10 each. Further 2,85,55,142 Equity shares of Rs.10 each aggregating to Rs.28,55,51,420 were issued at par upon conversion of debt into Equity to Lenders pursuant to the 'Scheme' and 4,39,98,500 Equity shares of Rs.10 each aggregating to Rs.43,99,85,000 were issued to the shareholders of erstwhile Jindal Iron & Steel Company Limited. With this, the total Equity Capital of the Company, as on 31st March 2005, stood at Rs.129,03,91,420 constituted by 12,90,39,142 Equity shares of Rs. 10 each. Also 1,15,27,653 share warrants were issued to the existing Equity shareholders of the Company.

There has been no forfeiture of Equity shares during the period under review, however, forfeiture in respect of 3571 Equity Shares was annulled upon appropriation of unidentified call money.

12. AUDITORS

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

13. CHANGE OF NAME OF YOUR COMPANY

It is proposed to change the name of your Company from Jindal Vijayanagar Steel Limited to "JSW Steel Limited" 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. The proposal regarding change of name is placed for your approval.

14. CHANGE OF REGISTERED OFFICE OF YOUR COMPANY

The Order of the Company Law Board (CLB), Southern Region Bench, Chennai dated 26th April 2005 for shifting the Company's Registered Office from the State of Karnataka to the State of Maharashtra has been registered by the Registrar of Companies, Karnataka and the Registrar of Companies, Maharashtra pursuant to the provisions of Section 18(3) of the Companies Act, 1956. The location of the new Registered Office of the Company as decided by the Board of Directors is at 'Jindal Mansion', 5A, Dr. G. Deshmukh Marg, Mumbai 400 026 with effect from 29th April 2005.

15. SCHEME OF AMALGAMATION

Your Directors in their meeting held on 9th May, 2005, have considered and approved the acquisition of Euro Ikon Iron & Steel Private Limited ('Euro Ikon'), Euro Coke & Energy Private Limited ('Euro Coke') and JSW Power Limited ('JPL') by way of merger under a Scheme of Amalgamation of Euro Ikon, Euro Coke and JPL with the Company and their respective shareholders under sections 391 to 394 of the Companies Act, 1956. The appointed date for the merger is April 1, 2005. The Scheme is subject to necessary approvals including that of the High Court of Judicature at Mumbai.

Your Company will benefit tremendously due to simplified operating structure and cost savings as result of vertical integration.

Pursuant to the Scheme:

- Equity shareholders of Euro Ikon will be allotted 1 equity share of JVSL of Rs. 10 each in lieu of 16 equity shares of Rs. 10 each held in Euro Ikon.
- Equity shareholders of Euro Coke will be allotted 1 equity share of JVSL of Rs. 10 each in lieu of 19 equity shares of Rs. 10 each held in Euro Coke; and
- Equity shareholders of JPL will be allotted 1 equity share of JVSL of Rs. 10 each in lieu of 25 equity shares of Rs. 10 each held in JPL.

Following implementation of the Scheme & issue of shares as above, the aggregate equity capital of the Company will increase by a sum of Rs. 17,99,28,360 consisting of 1,79,92,836 equity shares of Rs. 10 each subject to minor changes upon rounding off of fractional entitlements.

16. ENVIRONMENT MANAGEMENT

Your Company is proud of its 'green' engineering practices and environmentally sound technologies. A sustainable development of the region is kept in mind during conceptualization and implementation of any project. Your Company has taken various initiatives to minimize pollution through monitoring of emissions, appropriate effluent treatment, efficient process control, solid waste management and the disposal of treated waste.

17. SAFETY MANAGEMENT

The Company has embarked on various safety initiatives under the concept of 'Green Triangle of Safety - Efforts, Results, Motivation' to perpetuate a culture of safety and to minimize accidents. These initiatives have resulted in significant improvement in key safety parameters.

18. 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.

19. AWARDS & RECOGNITION

Your Company won the Frost & Sullivan India Manufacturing Excellence Award (IMEA) - Silver Award for Processes & Special Award for Proactive Labour Management, which recognize the Company's robust manufacturing processes and concern for employees. The other awards received by your Company or its employees during the year were:

- 'National Quality Award - 2004' from Indian Institute of Metals for Best Quality Management Practices amongst Integrated Steel Plants.
- 'Steel Eighties Award - 2004' from Indian Institute of Metals to Dr. Shyam Sunder Gupta, VP (Corporate R&D and SS)
- 'Young Metallurgist Award - 2004' from Indian Institute of Metals to Mr. Shankar Marar , AGM (BOF-CCP)
- 'Excellent Energy Efficient Unit' National Award for Excellence in Energy Management- 2004 by CII
- 'NASSCOM BEST IT User Award 2004' - for Manufacturing sector.
- 'Silver Award in Metal Sector - 2003-04' for Outstanding Management practices in Safety & Health by Green Tech Foundation
- 'National Water Management Award 2004' constituted by CII won in the category of 'Excellent Water efficient unit'.
- 'CII - EXIM Bank Award-2004' - for strong commitment to Excel.

20. 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.

21. THE CORPORATE GOVERNANCE CODE

The importance of Corporate Governance has always been recognized by your Company and is manifest in the Company's vision. As a proactive step, your Company has been following the Corporate Governance practices even before the code became mandatory: like achieving a reasonable balance of Independent and Non-Independent Directors in the composition of the Board of Directors, setting up Audit Committee and other business committees, making adequate disclosures and business to be deliberated by the Board etc.

A report in line with the requirements of clause 49 of the listing agreement on the Corporate Governance practices followed by the Company and the Auditors' Certificate on Compliance of mandatory requirements along with Management Discussion and Analysis, are given as an annexure to this report.

22. 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.

II. They have selected appropriate accounting policies and applied them consistently and made judgement 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.

23. APPRECIATION

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

For and on behalf of the Board of Directors

Place: Mumbai — **Savitri Devi Jindal**

Date : 9th May 2005 — **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:

- Usage of COREX gas in place of LPG, for initial heat up of Coke Oven.
- Utilizing COREX and Blast furnace gas for generation of power in 100 MW power plant.
- Modification of coolant system of 6 Hi Cold rolling mill (TM 4) from two tanks to one tank system, resulting in power savings.
- Installation of lighting transformer in Cold Rolling mill (TM 5), Pickling line 2 & HR Slitting line resulting in to power savings.
- Installation of VVVF Drives in air knife blowers of Galvanizing lines (CSD-1 & CSD –3) for power savings.
- Conversion of DC drives to AC drives in Galvanizing line (CGL 1), for power savings.

The total energy consumption and energy consmption per unit of prodcution is given in Form 'A'.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- **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 thereby insulating it from risks related to exchange fluctuations.

- **Total Foreign Exchange used and earned**

  Foreign exchange earnings during 2004-05 were Rs.2873.16 crores as against Rs.137.31 crores during the previous year, while the foreign exchange outgo during the year was Rs. 2168.96 crores as against Rs.864.48 crores during the previous year.

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A POWER & FUEL CONSUMPTION

		Current Year (2004-05)	Previous Year (2003-04)
1	Electricity		
	a) Purchased		
	Unit (kwh) (in lacs)	**7,737.82**	6,231.91
	Total Amount (Rs. in crores)	**202.28**	182.82
	Rate / Unit (Rs.)	**2.61**	2.93
	b) Own Generation		
	I) Through diesel generator		
	Unit (kwh) (in lacs)	**1,030.45**	0.52
	Total Amount (Rs. in crores)	**26.13**	0.19
	Cost / Unit (Rs.)	**2.54**	36.25
2	Coal + Coke		
	Quantity (tonnes)	**23,92,290 t of Coal + 452,123 t of Coke**	20,16,299 t of Coal + 344,484 t of Coke
	Total Amount (Rs in crores)	**1,891.70**	916.64
	Coal Rate (Rs. / t)	**4458**	3090
	Coke Rate (Rs. / t)	**18252**	8525
3	Furnace Oil		
	Quantity (K.Ltrs)	**2242 KL of HFO + 0 KL of LDO +**	0 KL of HFO + 0 KL of LDO +
	Total Amount (Rs in crores)	**2.31**	0
	Average Rate (Rs. / Ltrs)	**10.31**	0

		Current Year (2004-05)	Previous Year (2003-04)
4	LPG		
	Quantity (tonnes)	**16,634.37**	1,434.35
	Total Amount (Rs in crores)	**37.03**	2.87
	Average Rate (Rs. / t)	**22261**	20014
5	Others / Internal generation		
	Quantity (Water cu.nm)	**17766910**	6505340
	Total Cost (Rs in crores)	**0.19**	0.05
	Rate / Unit (Rs. / M3)	**0.107**	0.078

B CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Standards (if any)	Current Year 2004-05	Previous Year 2003-04
Hot Rolled Coils/Steel plates/sheets :			
Electricity (kwh / t)	350.0	363.8	357.0
LPG (Kg / t)	1.3	1.1	0.9
Others (Specify)			
- Water (M3 / t)	4.5	4.6	4.1
Galvanized Coils/sheets:			
Electricity (kwh / t)	219.26	218.61	-
LPG (Kg / t)	20.2	19	-

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

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

   Research was carried out in the areas of Iron Ore Beneficiation, Iron Ore Pelletization, COREX and Blast Furnace Iron Making, Steel Making, Hot Rolling and New Product Development with focus on improvement in process parameters and their optimization, quality of intermediate & final Products, energy conservation, waste reduction & utilization and cost reduction.

   R & D was also carried out in value added products such as development of ASTM – A653 Grade 57 Structural Quality GI and GI CQ Grade (Size 0.22 mm x 1250 mm, Structural Grade 80 and 57 / 60 GI material as per American Standard).

2. **Benefits derived as a result of R & D efforts:**
   - ❖ The R & D project to identify suitable indigenous coals for COREX has been successfully completed. Based on plant scale trials, it has been established that unwashed 'B' grade coal or washed 'C' grade coal of suitable specification can replace part of the imported coal.
   - ❖ In the Iron Ore beneficiation plant, vortex finder diameters of 10" stub cyclone was changed from 100 mm to 80 mm, resulting in an increased yield from 46% to 53% of the hydro cyclone concentrate.
   - ❖ Software were developed and implemented for following applications:
     - Coal-blend design for coke ovens
     - Mould level fluctuation index in continuous casting
     - Submerged entry nozzle clogging index in continuous casting
     - Temperature prediction model for superheat control in BOF – CCP
   - ❖ With improved slag splashing practice, along with quality and configuration of refractory lining, BOF has achieved a record lining life 4584 heats (Converter – 1), which is national benchmark.
   - ❖ 17 new grades of HR coils were introduced with total production of 83557 tonnes, which is 5.57 % of the total saleable steel.

3. **Plan of action**

   Development of flow sheet of beneficiation of high Al_2O_3 iron ore fines, improvement in green pellets characteristics for improved quality and productivity of Pellet Plant, increased Converter life based on slag thickness measurement, Tundish modeling for production of clean steel, silicon and coke rate prediction models for Blast Furnace, microscopic studies on coal and coke to improve coke quality.

4. **Expenditure on R & D:**
   - Capital – Rs. 1.86 crores
   - Recurring – Rs. 1.69 crores
   - Total – Rs. 3.55 crores

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION:

1. A) In-house developed technologies at Upstream Complex:
   - * 3.0 MTPA Iron Ore Beneficiation Plant commercialized based on in-house technology.
   - * With in-house developed technique of slag splashing and high MgO practive, the BOF lining life achieved is 4584 heats, which is a national benchmark.

   B) Technology Absorption and Adoption at Downstream Complex:
   - * Installation of Tungsten carbide rolls across the leveler at CSD – 3 to increase roll life.
   - * Bronx air knife system in CSD – 1 & CSD – 2 lines for better Zinc coating control.
   - * Commissioning of state of art CNC grinding machine for grinding Work roll of CR mills.

   C) Technology upgradation planned during FY 2005-06 for value added products at downstream complex:
   - * Upgradation of Jet cooler section to improve effective cooling & reliability of furnace, in terms of zinc adherence.
   - * SPM – Electrostatic oiling unit for uniform and controlled rust preventive oiling application.
   - * CTL with facility of shape correction for thicker gauges in CSD 3.
   - * Modification of CSD 2 Vertical Accumulator for better control & energy saving.

2. Imported technologies

Innovation / Technology	Year of Import / Absorption	Status of implementation
COREX from VAI, Austria	1999	Successfully commissioned and surpassed rated capacity and JVSL performance has become benchmark for other COREX units in the world.
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, 2005

Sr. No.	Name	Designation	Remuneration (Rupees)	Qualification	Experience No. of Years	Age Years	Date of commencement of Employment	Last Employment held
(A) Employed throughout the year and were in receipt of remuneration of not less than Rs.24,00,000 per annum								
1.	Jindal Sajjan *	Vice-Chairman & Managing Director	81,177,569	B.Engg. (Mech.)	24	45	04.07.1992	Jindal Strips Ltd.
2.	Jain N. K. *	Advisor	6,303,829	B.Com, F.C.A., F.C.S.	35	59	01.09.1992	Permanent Magnets Ltd.
3.	Lal J. P. N.	Executive Director - Operations	2,662,376	B.Sc (Metallurgy)	28	58	14.06.2002	ISPAT International
4.	Madhok Raman *	Jt. Managing Director & CEO	3,910,270	M.S., PGD IR & PM, Dip. Trg. & Dev.	24	47	15.12.1995	Cyanamide India Ltd.
5.	Nowal V. K.	Executive Director - Operations	2,644,927	MBA, DBM, PHD	25	49	14.02.1984	K. M. Sugar Mills Ltd.
6.	Patel K. N.	Director-Corporate Affairs	2,756,962	B.Com.(Hons.,) FCA	31	55	28.08.1995	Standard Industries Ltd.
7.	Singh B. N.	Jt. Managing Director & CEO	6,073,734	ME (Metallurgy), PHD (Metallurgy)	36	56	13.10.2003	ISPAT International
8.	Seshagiri Rao MVS	Director - Finance	3,935,350	B.Com., CAIIB, AICWA, LCS, DBF	27	47	01.09.1997	Nicholas Piramal (India) Ltd.
(B) Employed for the part of the year and were in receipt of remuneration aggregating to not less than Rs.200,000 per month								
1.	Kedia P. K.	Vice-President - Commercial	1,640,271	B.Com., FICWA, DBM, CS (Inter)	30	46	28.08.1990	Jindal Strips Ltd.

Notes :

* Includes remuneration paid in their capacity as directors of erstwhile Jindal Iron & Steel Co. Ltd. (JISCO)

1. Remuneration shown above includes Salary, Commission, House Rent Allowance, Bonus, Holiday Travel Benefits, Use of Company's Car, Furniture and Company's contribution to Provident Fund but does not include Leave Encashment & 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.

MANAGEMENT DISCUSSION AND ANALYSIS

A) Introduction

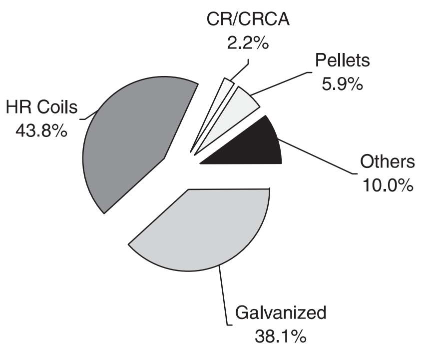
The financial year of 2004-05 was a landmark one for Jindal Vijayanagar Steel Limited (JVSL). The Scheme of Arrangement and Amalgamation between JVSL, Jindal Iron and Steel Company Limited (JISCO) and Jindal South West Holdings Limited (JSWHL) which was made effective in financial Year 2004-05, consolidated the steel business of JISCO with that of the Company with Appointed date as 1st April 2003. As a result, JVSL emerged as the third largest integrated steel manufacturer in India after Steel Authority of India Limited and Tata Iron & Steel Company Limited, at the close of FY 2004-05. In view of this consolidation, the figures reported by the Company for 2004-05 are not strictly comparable with those of the previous year.

B) Overview

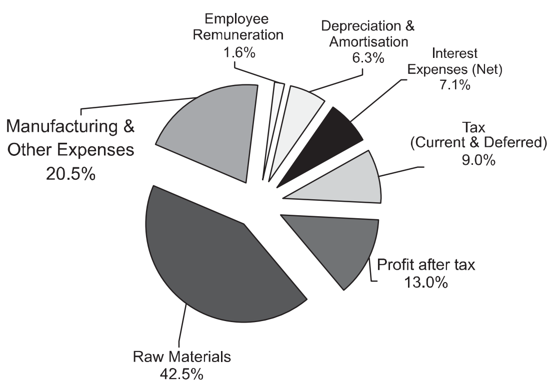
The Company carried out the consolidation with a singular objective of unleashing value, on a sustainable basis, for all its stakeholders. The impact of the consolidation was immediate: the Company strengthened its profitability, wiped out its accumulated losses, declared an interim dividend of 30 per cent in the first year of operations and a final dividend of 50 per cent, aggregating to 80 per cent for the year under review. The merged Company reported the following performance:

- Rs 7,035.90 crores Gross sales
- Rs 3,293.84 crores from exports
- Rs 2,365.83 crores as EBIDTA
- Rs 1,895.96 crores in cash profit
- Rs 870.11 crores as profit after tax
- 35 per cent EBIDTA margin
- Rs 59.66 Earnings per share (Diluted)

Revenue basket (in %) FY'05



How we Spent The Rupee



Global steel industry

Steel is the backbone of any infrastructural development; its demand and consumption move in tandem with industrial expansion, riding economic growth. The global steel industry is dominated by China and the US, the former emerging as the largest producer and consumer of steel products over the last decade.

Highlights of Calendar Year (CY) 2004

Economy

- The global economy grew 4% against 2.5 % in 2003.
- Global industrial production grew 5.9% from 3 % in 2003.

Production

- World crude steel production in 2004 increased by 8.8 % to 1054.6 million tonnes.
- In 2004, Asia continued to fuel global crude steel production growth with a 13.1% rise in output to 484.6 million tonnes (46 per cent of global production).
- The cumulative BRIC (Brazil, Russia, India, China) crude steel production in 2004 grew by 16% to 402.3 million tonnes (38.1% of global production).
- Global pig iron production increased by 8.9% to 713.0 million tonnes in 2004.
- Global DRI production grew 17.9% to 42.5 million tonnes in 2004; India continued to be the largest DRI producer with a 29.4 % increase in output to 9.1 million tonnes and commanding 21% of global share.

Consumption

- In 2004, the global apparent finished steel consumption increased by 12.1% to 967.9 million tonnes.
- The strongest increase in apparent steel consumption was recorded in NAFTA (+13.8 per cent); in US the apparent steel consumption grew by 15.30 % to 115.90 million tones, accounting for about 12 % of the global steel consumption. This led to 55 % increase in imports at 32.5 million tonnes, or about 28% of its apparent steel consumption
- The world trade in steel increased by 4.4 % to a record 263 million tonnes in 2004 or 27.2% of the world's steel consumption.

Global steel demand-supply equation

(million tonnes)

	2001	2002	2003	2004
Crude steel production				
EU –15	158.5	158.7	160.4	168.3
NAFTA	118.6	121.6	124.8	131.6
China	150.9	182.2	221.1	272.5
Rest of the world	422.3	441.3	463.0	482.2
Total	**850.3**	**903.8**	**969.3**	**1054.6**
% change	0.3	6.3	7.2	8.8
Apparent consumption (finished steel)				
EU-15	140.3	138.7	140.0	145.7
NAFTA	129.8	132.8	130.6	148.6
China	153.4	185.6	232.4	265.0
Rest of the world	331.1	347.7	360.7	408.6
Total	**754.6**	**804.8**	**863.7**	**967.9**
% Change	0.9	6.7	7.3	12.1

Source: IISI

Indian steel industry

Macro statistics

(million tonnes)

Year	2000-01	2001-02	2002-03	2003-04	2004-05 (E)
Working crude steel capacity	34.1	34.2	35.1	39.4	43
Crude steel production	26.9	28.0	30.4	34.2	37
Apparent finished steel consumption	26.5	27.4	28.9	31.2	34

(Reference: JPC)

Highlights 2004-05

- India is the ninth largest crude steel producer in the world.
- India is the largest manufacturer of sponge iron in world.
- India's consumption of finished steel rose from 14.84 million tonnes in 1991-92 to 34 million tonnes. (estimated) in 2004-05.

Achievements

The Indian integrated steel plants have been acclaimed to be of international standard in terms of size, technology and cost.

Strengths of the Indian steel industry

- **Right market**: The Indian economy is driven by economic reforms. As a result, GDP growth is estimated at 7.2% for 2004-05 and expected to grow more than 7 % over the next two years, one of the highest growth rates in the world.

- **Mineral self-sufficiency:** India is gifted with enormous mineral reserves. It possesses the world's fourth largest reserves of iron ore at 17.7 billion tonnes, the majority being high quality containing more than 60 % Iron content. It also boasts of one of the world's largest coal reserves at 234.11 billion tonnes.
- **Labour force**: India is home to the world's third largest pool of technical professionals available at a reasonable cost.

Weaknesses

- High cost of energy.
- High alumina in the Iron ore partly neutralises the benefit of a high Iron content.
- High ash content in the coal (15%-45% by weight) translates into low calorific value.
- High level of taxation and duties.
- Relatively high cost of capital in building capacities.
- Low R&D spending due to a lack of specialised end-user demand.

C) Outlook

Global perspective: The global steel industry is expected to remain buoyant and prices firm over the medium term. Reputed international steel experts estimate a 5-6% growth in the steel sector in 2005.

- The Economist Intelligence Unit (EIU) estimates that world GDP growth (based on purchasing power parity) will grow at a healthy 4.2 % in CY05 and 3% on real GDP basis. As a result, steel demand is expected to remain buoyant during the year 2005.
- IISI estimates global steel demand/apparent steel consumption in 2005 to rise by about 3.7 % to 1005 million tonnes.
- World Steel Dynamics estimates that global crude steel production in 2005 will continue to grow by 6 – 7% to 1122 million tonnes.

The Indian expectation

Long-term growth plan: India's per capita consumption of 30.8 kgs compared to the global per capita steel consumption of 150 kgs and developed world average of 450 kgs, leaves a vast room for growth. Besides, India's per capita steel consumption of only 2 kgs in the rural sector (constituting almost 60% of the total population) presents a large opportunity to increase steel consumption.

To address this under-penetrated potential, the draft National Steel Policy has set a target of 100 MTPA steel consumption by 2020, which will require the Indian steel industry to grow at a CAGR of 8% for the next 15 years, higher than its prevailing average.

Short-term growth initiatives: India's attractive infrastructural investments are reflected in the following:

Roads

National Highway Development programme:

- NHDP-I completed 5172 kms of 4-lanes (January 2005)
- NHDP-II / NHDP-III 4-laned more than 4000 kms of North Eastern region highways

  Total outlay increased from Rs. 6,514 crores to Rs. 9,320 crores.

Homes

The Indira Awas Yojana expects to set up about 15 lacs homes for the weaker sections with a total outlay of Rs. 2,500 crores.

Special Purpose Vehicle

This SPV will fund the development of roads, ports, airports and tourism calling for large resources with a longer gestation. Total outlay of Rs. 10,000 crores for 2005-06.

Rural electrification

The government expects to provide electricity for 125,000+ villages over the next five years. Total outlay of Rs. 1,100 crores for 2005-06.

Urban Development – National Urban Renewal

This programme is intended to cover seven mega cities with a population in excess of one million and a few other towns. This mission shall also cover the following projects:

- The Mumbai Metro Rail project
- The Mumbai Trans Harbour Link
- The Mumbai Western Expressway Sea link
- Bangalore Metro Rail project
- Total outlay for 2005-06: Rs. 5,500 crores.

  These programmes provide optimism for the Indian steel industry to report a year-on-year growth of 6-7 per cent across the medium term.

D) Performance analysis

Operational management

At JVSL, the initial investment of Rs 6500 crores to commission an integrated steel plant with a capacity of 1.6 MTPA, created unexploited capacities in its process lines. To utilize them fully, the Company embarked on the following:

- Analyzed its process lines to identify intermediate capacities that could be de-bottlenecked and balanced.
- Identified areas where marginal investments would shore up operational capacity.
- Enhanced processes for better equipment utilization leading to improved productivity.

  In 2004-05, the Company undertook the following initiatives to increase manufacturing capacity:

- Increased the rated capacity of its pellet plant from 3 MTPA to 4.2 MTPA, with beneficiated Iron Ore.
- Arrangements were made with Euro Ikon Iron & Steel Private Limited for Operations & Maintenance of 0.9 MTPA of Blast furnace plant set up by them at the Company's plant site to enhance the capacity of Hot Metal from 1.6 MTPA to 2.5 MTPA to coincide with the industry upturn.
- Utilized inherent capacities in BOF-CCP to increase capacity of liquid steel from 1.6 MTPA to 2.5 MTPA.
- Set up a Second Reheating Furnace increasing the capacity of HSM to 2.0 MTPA from 1.6 MTPA.

The Company also strengthened its business through the following cost rationalization initiatives:

Coke oven plant: The Company has made arrangements with Euro Coke & Energy Private Limited for Operations & Maintenance of 0.62 MTPA coke oven facility set up by them at the Company's Plant site. This has helped in substantial cost reduction.

Iron ore beneficiation plant: The Company has set up a 3.0 MTPA iron ore beneficiation plant to reduce the alumina content in iron ore, thereby allowing the Company to use relatively inferior raw material. This investment enabled the Company to reduce alumina content by 0.6 per cent, resulting in improvement of productivity and quality of Pellets.

Power plant: The Company has taken on Lease from JSW Power Limited a 100 MW power plant, which was commissioned at the Company's plant site, with the objective of utilizing waste gases from the production process, to significantly lower the cost of captive generation of power.

As a resource-maximizing organization, the Company strengthened a number of processes across the operational cycle.

Pellet plant:

- Increased bed height operations.
- Increased use of high pressure COREX waste gas helped reduce costs.

Corex plant:

- Introduction of iron ore fines in addition to pellets for increased productivity.
- Modification of coal (used in the furnace) improved the melting rate.
- Adoption of a 'gunniting practice', a process to improve refractory life, increased plant availability.
- Modification of the shaft to reduce choking frequency and cleaning time, increased plant productivity

Basic Oxygen Furnace (BOF) plant:

- Introduction of the slag splashing technique for lining the converter, increased productivity (4584 heats compared to an industry average of 2500 heats).
- Replacement of LPG with COREX gas in the heating system reduced costs significantly.

Hot Strip Mill (HSM) unit:

- Realignment of processes eliminated furnace roof collapse breakdowns.
- Modification of the finishing mill improved strip quality.
- Substitution of equipment eliminated cylinder failure and increased plant availability.

These investments, innovations and improvements strengthened overall performance.

Details	Capacity (*)	Production	Capacity utilization (%)
Pellet plant (MTPA)	4.2	3.62	86
Hot metal (MTPA)	2.5	1.97	79
Liquid steel (MTPA)	2.5	1.90	76
HR coils (MTPA)	2.0	1.78	89

(*) The capacity enhancements have taken place only during the year FY 2004-05 & are accordingly for part of the year.

Financial management

Highlights 2004-05

- Repayment and prepayment out of internal accruals aggregating to Rs 1,079 crores
- Refinancing of high cost debt by raising low cost debt, with varying maturity profiles, aggregating to Rs. 1,553 crores.
- Reduction in the average cost of debt from 9.42% to 8.27%. p.a.
- Increase in the Company's interest cover to 5.04 times from 2.66 times.

At JVSL over the last few years, a large high-cost debt stunted the Company's competitive low operating cost edge. To address this, the Company prioritized the following:

1) Progressive repayment and prepayment of debt
2) Rationalization of cost of debt.
3) Innovative treasury management

These objectives were achieved through the following initiatives in 2004-05:

Working capital management: A month wise estimation of inflows and outflows is made keeping liabilities and debt maturity cycles in mind, minimizing any asset liability mismatch. The Company prudently structured its working capital requirements with a preference for non-fund based limits. It used the 180-day Letter of Credit facility to procure raw material helping it cover working capital cycles.

Financing arrangements for Blast Furnace & Coke Oven Projects: The financing of an incremental 0.9 million tonnes hot metal capacity & 0.62 million tonnes Coke Oven, comprised an innovative arrangement whereby capital cost of setting up of the Plant was incurred by international traders in exchange for an assured return covered by periodic payments. The Company protected its cash availability & generated net additional revenues from these initiatives.

Forex management: To maintain a natural hedge between foreign exchange inflows (from exports) and outflows (debt and interest repayment), the Company converted its rupee-loans into forex debt.

Better gearing at JVSL

Details	2003-04	2004-05
Debt-equity ratio	2.75	1.33
Average interest cost (%)	9.42	8.27

Marketing management

At JVSL, a sharp increase in the volume of available steel accompanied by robust demand growth made it necessary to formulate a prudent yet flexible product mix strategy to maximize investment returns.

In view of this, the Company arrived at:

- A mix of products to balance its presence in the domestic and international markets.
- A mix of products across the value chain with the objective of enhancing margins.

As a trust-enhancing long-term approach, the Company continued to transform one-off transactions into extended relationships through sensitive service efficiency, adopting the following initiatives:

Managerial efficiency: More that 85 per cent of the accepted orders were dispatched within seven days against the stipulated 15-day period through a seamless synchronization between the Company's planning, production and logistics departments.

Transparency: An automated response system enabled the IT department to intimate customers about the acceptance of their orders and the onward delivery schedule leading to effective inventory management at the customers' end.

Closer interaction: The Company strengthened its 'market listening' process through periodic meets with its domestic dealers and customers; it invited its international clients and dealers to visit its plants for a closer understanding of their requirements.

As a result, the Company continued to market its products to globally to more than eighty countries and numerous prestigious clients.

2004-05 vs. 2003-04

Revenue

The total Revenue for the financial year 04-05 is Rs 7,035.90 crores. The upstream unit marketed 0.85 million tonnes of pellets, 0.045 million tonnes of slabs and 1.03 million tonnes of HR coils, while 0.73 million tonnes of HR coils were used by the downstream unit for value addition into CR/CRCA coils and galvanized products. The total foreign exchange earnings from both upstream and downstream units accounted for around 47 per cent of the revenue, generated largely from the sale of pellets, slabs, HR Coils, CRCA and galvanized products. The Company has introduced 17 new products, which accounted for additional revenues during the year under review.

Cost

A growing demand for steel inflated the cost of a number of primary raw materials, reflected below:

Inputs	March'2003 (US$/tonne)	January'2005 (US$/tonne)	Change (%)
Met coke	120	253	111
Melting scrap	110	300	173
Iron ore	30	60	100
Freight	9	35	288

(Source: The Economic Times, March 13, 2005)

The Company improved its EBIDTA margins from 33 per cent in the first quarter of 2004-05 to around 40 per cent by the fourth quarter of the same financial year. This increase in margins resulted from a number of initiatives:

- Increased sourcing of up to 40 per cent of the ore requirements from captive mines.
- A greement with a Chinese Company for sourcing coal in exchange of pellets.
- Process improvements in the COREX plant to enable the use of iron-ore fines.
- Creation of a coke oven facility to replace coke requirement with coking coal.
- Leasing of a 100 MW power generating unit to generate power at a lower tariff.
- Increasing automation leading to an increased operational capacity with a relatively low labour increase.

JVSL is engaged in expanding its capacity to 3.8 MTPA, operational by March 2006. This expansion will incorporate improved processes and state-of-the-art technologies. The Company also expects to get additional allocation of iron ore mines that will meet nearly, the Company's total ore requirements.

Gross block

In a steel manufacturing Company, the size and quality of the gross block represents a Company's competitive edge. Post-merger, the gross block size increased to Rs 7,520.30 crores, within a decade of commencement of the project. This represents a significant edge when compared with other integrated steel plants in India that are more than four decades old.

During 2004-05, the Company added Rs 240.51 crores to its gross block and made a number of in-house improvisations that enabled it to reduce per tonne capital costs, facilitating a quicker payback. To sustain and reinforce this competitive advantage, the Company plans to invest Rs 1275 crores in its gross block, expanding capacity from 2.5 MTPA to 3.8 MTPA by March 2006.

Capital employed

At JVSL, the originally employed capital of around Rs 6,500 cr in the Company's business was largely derived from external funds, reflected in a high gearing of 6.01 on completion of the Project in 1998-99. The depressed capital markets & steel market, at that time, delayed the financial closure that in turn led to delay in project implementation and initial operational problems.

Over the years, the Company's principal objective has been to rationalize its employed capital, especially its large and expensive debt. The Company achieved this objective in 2004-05 through the merger, improved realisations, cash plough back into asset creation as well as an aggressive debt repayment/prepayment thereby enabling the Company in rationalizing its Debt : Equity ratio to 1.33 (31^{st} March 2005).

Besides, the Company strengthened its assets to capital employed equation by making fresh capital investments without straining its financial position. For instance, the coke oven and blast furnace projects were commissioned through arrangements with reputed international agencies, which helped the Company in generating revenues and profits without investing its own funds upfront. As a result, the average capital cost per tonne declined significantly from Rs 41,000 to around Rs 27,000 per tonne during the year under review.

The Company targeted a debt-gearing ratio of 1:1 for prudent capital deployment. The Company's Rs 1275 crore expansion plan will be made at a capital cost per tonne that is only about 25 per cent of the Company's prevailing average, improving further its capital efficiency.

E) Risk Concerns & Risk management

The volatility of steel prices, cyclical nature of the industry, regulatory interventions and dwindling export incentives besides currency fluctuations are major areas of concern. The increased integration of global and domestic markets also contributes to the volatility. New capacities being set up both in India and abroad may create imbalances between demand and supply. Spiraling prices of inputs and raw materials constitute another facet of business risk. While the amalgamation is expected to minimize some of the business and industry related risks, as compared to stand-alone companies, the task of addressing all aspects of risk is a continuous one, more so in the context of the Company's plans for growth in volume and scale.

The Company has derisked itself to a large extent through:

- Vertical integration by having control on key inputs viz. Iron ore, Power, Oxygen, Coke etc.
- Varied range of products like Pellets, Slabs, H R Coils, H R Plates, CRCA and Galvanized Coils with a flexibility to increase or reduce their supplies in line with market dynamics.
- Judicious mix of domestic and export sales with the ability to enter or exit any market due to wide geographical spread across all regions.
- Created natural hedge against exchange rate movements by maintaining export earnings sufficient to cover foreign exchange outflows.
- Increase in scale of operations with low specific investment cost per ton leads to declining capital servicing costs.
- Use of advanced technologies and operational efficiencies contribute to be the low cost producer insulating from the vagaries of downturn.

The policies for balancing of various facets of business related risks is continuously evolved and improved upon.

The Company proposes to institutionalize a Risk Management framework to effectively identify, assess and manage risk through an appropriately designed and strictly enforced system of risk controls. These controls would promote efficiency and reduce risk of asset loss besides providing a reasonable assurance on the reliability of financial statements and compliance with laws and regulations.

With a view to have an independent identification of significant threats and risks, formulation of Risk Management procedures pertinent to the nature, size, complexity of the existing business and the growth planned, the Company has engaged the services of professional risk specialists for this task. They will help the Company in establishing a Risk Management framework aligned to its business objectives and in line with best practices in the industry.

The benefits that the Company shall derive would be enhanced risk awareness, developing and institutionalizing a pro-active attitude towards risk and a structured approach towards assessment and management of risk.

F) Industrial relations and human resource management

The highlights of the Company's achievements in 2004-05 comprised the following:

- Successful integration of the work cultures of the two merging entities, without affecting productivity.
- Participative working leading to an increase in the number of practical suggestions for improvement to more than 6600 (4300 under implementation) and an increase in the annual per person productivity to around 1,000 tonnes (upstream) and 417 tonnes (downstream).
- Increased training investment to 7.15 person-days per employee across technical, operational and emotional parameters.
- Increase in the number of Quality Circles for focused development in defined areas; an award, at the National level, in the Excellent Category to 'Genius Quality Circle' from BOF-CCP Shop.
- Introduction of online goal setting and appraisals, a milestone in Performance Management System.
- Benchmarking of practices with the leading international steel conglomerates.
- 'Leadership Pipeline' initiative, with the objective to perpetuate success.
- Recruitment of young engineers from campuses and industries across India followed by rigorous induction and mentorship processes.

Six Sigma and Asset Management

As a forward-looking organization, the Company initiated the Six Sigma and Asset Management exercise in its downstream units. The objective of this exercise was to benchmark the Company's cost and productivity in line with the most efficient standards the world over. From a wholistic perspective, this Six Sigma initiative also addresses optimal resource utilization, equipment reliability and machine availability. The process comprises of training in TPM, efficient team-based execution of projects and assessment of team members for Green/Black belt certification.

Executive MBA Program with NMIMS

The Company recognizes the importance of replenishing skills through external training. In view of this, an 18-month e-MBA module was initiated with one of India's leading management institutes. Twenty-eight participants enrolled for the programme, incentivised by a 50 per cent course fee subsidy from the Company.

Psychometric testing with PDP

The Company also embarked on the exercise to map its employees more completely with the objective to enhance their productivity and job satisfaction. The implementation of Professional DynaMetric Programs, a behavioural competency-based HR Operating system, helped it gain an insight into its employees through a system of narrative graphic reports. The programme will now be extended across its entire managerial cadre and employees of associate companies to identify their development needs.

Employee Community Advancement Scholarships

The Company initiated a scholarship scheme to promote a culture of technical education among employees, their families and the community. Following a rigorous and objective procedure of application and interviews conducted by an independent jury, 10 scholars were awarded annual grants of Rs. 25000 each and were assigned a mentor to guide them in making career decisions.

Outbound programs for experiential learning

To bond employees better, the Company conducted experiential training across teams drawn from diverse disciplines. This initiative helped employees develop and sharpen their behavioural, leadership and team-working capabilities through and out-of-classroom' learning experience - an effective platform for personality development.

G) Internal audit, control and their adequacy

Internal control systems are integral to your 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 the 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 on-line 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 CEOs 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.

(H) Environment management

The Company's manufacturing focus covers not only machines and their productivity but also the prudent management of the external environment. This commitment is reflected in a simple statement: to have the greenest steel plant in the world. The Company made significant progress during the year under review. The Company has invested in various pollution control projects during the year, which helped maintain the average air quality at 132 µg/m3, well below the national norm for ambient air quality; the emissions of sulphur dioxide, nitrous oxide, RPM and SPM loads were significantly below statutory norms; water consumption was among the world's lowest for steel plants; waste utilization was the highest at 81per cent, with the cement plant consuming a substantial quantity of slag, thus reducing the use of clinker and thereby reducing carbon dioxide emissions; nearly 1.5 lac trees were planted, enhancing the total tree population in the plant area to 8.21 lacs.

The Company also embarked on the following pollution control projects during the year under review, which enabled the pollution load to decline from 1.05 kg/tcs to 0.94 kg/tcs:

- De-dusting systems at Junction houses of RMHS, ore bin of the pellet plant, LHF – 2 of BOF / CCP, tower top of COREX modules and the stock house of the blast furnace.
- Dust suppression in the conveyors of the pellet plant.
- De-dusting system for HMDS of BOF / CCP, mixer and slag raking of BOF / CCP, Material handling & Packing unit at the cement plant, stock house and Flexowell of COREX and cast house of the blast furnace.
- Dry fog dust suppression system for the coal route and coke route of coke ovens and RMHS junction houses in the blast furnace route.

  The Company plans to embark on the following pollution control projects:
- Continuous on-line stack-monitoring system for major chimneys.
- Continuous monitoring of ambient air quality in the nearby villages.
- Commissioning of the incinerator for the controlled burning of plant wastes.
- Well-designed and secured landfill to store unusable steel plant waste.

These initiatives contributed to your Company getting several awards for excellence in the areas of Safety, Health and Environment (SHE) from CII for 2004 and has been short listed for prestigious TERI Corporate Environment Award 2003-04. JVSL upstream facilities are certified under Environment Management System (ISO:14001) and Occupational Health and Safety Management System (OHSAS:18001), which ensures continual improvement in safety health, and environment.

(I) Corporate social responsibility

Corporate Social Responsibility (CSR) is an integral part of your Company's vision, derived from the following convictions:

- That the Company should make a difference in the environments in which it operates.
- That the Company should promote all-round community development as a duty, befitting a responsible corporate citizen.
- That the Company should make socially responsible investments to build business sustainability, managed through governance.

The Company's objectives are to support health, education, artistic and sporting interests of the communities through need-based capacity and skill building besides making them self-sustaining. These initiatives are carried out in conjunction with Jindal South West Foundation, the social arm of the Company and its associates. The work has been supported by voluntary employee involvement and the Performance Management Systems are customized to provide a higher weightage to employees' involvement in CSR-related activities.

The following are some of the initiatives being undertaken currently:

A livelihood study is being carried out in the vicinity of Vijayanagar in partnership with BASIX (Hyderabad), a leading micro-finance institution. The objectives are to identify sub-sectors in the Bellary, Sandur and Hospet blocks to promote sustainable livelihoods. The first phase will determine the five activities to be studied and the second phase will entail a detailed study for these five activities by sub sector analysis. Following a study of the five sub sectors, two will be taken up for action research from May 2005 onwards.

- **Computer Aided Learning Center (CALC)** at Vijayanagar focuses on innovation in the field of elementary education in partnership with the Azim Premji Foundation. The Company's six learning centers cater to 2200 students. Basic computer and CAD courses have been started to benefit the unemployed youth in neighbouring villages.
- **Early Childhood Education Project**

  In the Integrated Child Development Scheme of the Govt. of India Anganwadi workers are expected to serve cooked supplementary meals for children, maintain health records of the 0-to-6 age group / pregnant / lactating mothers and also ensure early childhood education. Centre for Learning Resources (CLR) conducted a need-assessment study in Vasind, following which the activity is being co-coordinated with Child Development Project Officer (CDPO), Assistant CDPO and Block Development Officer, to take the project ahead.
- **Vocational Training Centres**

  More than 150 students who enrolled in Shramsadhna Vocational Training Center at Vasind are undergoing training in various vocational skills. The centre has collaborated with Father Agnel Polytechnic (Bandra, Mumbai) to train the students across a range of vocations like tailoring, electrician, plumbing and TV repair etc. Trainees at Akanksha Vocational Training Center (AVTC) at Vijayanagar are engaged in the stitching of schools uniforms for children. Welding and masonry classes are conducted for the unemployed. It is planned to introduce school bag making, beautician, driving and fabrication courses in 2005-06.
- **HIV Awareness program**

  The Company conducted an HIV awareness program with the help of Modicare Foundation, covering the entire employee community, their families and outsourced workers of the downstream units at Vasind and Tarapur. A similar activity is now proposed at the upstream unit at Vijayanagar in 2005-06.

  The Company was awarded the 'Designing Corporate Culture Award', an award sponsored by Indian Architect & Builder, India's leading architectural magazine and BP Ergo, for Revitalization of Public Spaces (first public space revitalization project in India using primary steel and stone as a design item).

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', 'intends', '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 FOR THE F.Y. 2004 – 05

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

1. COMPANY's PHILOSOPHY:

Jindal Vijayanagar Steel Ltd. (JVSL) is committed to the highest standards of corporate governance in all its activities and processes. JVSL looks at corporate governance as the cornerstone for all sustained superior financial performance, for serving all the stakeholders and for instilling pride of association. At the heart of Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and Board. It is believed that the imperative for good corporate governance lies not merely in drafting a code of corporate governance but in practicing it. Your Company has put in place systems of good corporate governance, as recommended by SEBI under the Corporate Governance Committee headed by Mr. Kumarmangalam Birla and now confirms the compliance of Corporate Governance as contained in clause 49 of the Listing Agreement, the details of which are given below:

2. BOARD OF DIRECTORS:

2. 1. Composition:

The Board of Directors as at 31.03.2005 comprises of 12 Directors, of which 8 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 8. The composition is as under:

Name of the Director	Position
Executive	
Mr. Sajjan Jindal	Vice Chairman & Managing Director
Dr. B.N. Singh (Upstream SBU*)	Jt. Managing Director & CEO
Mr. Raman Madhok (Downstream SBU*)	Jt. Managing Director & CEO
Mr. Seshagiri Rao M.V.S	Director (Finance)
Non-Executive	
Mr. P.R. Jindal	Chairman
Dr. S.K. Gupta	Director
Non-Executive Independent	
Dr. Ramaswamy P. Aiyar	Director
Nominee Directors	
Mr. Balaji Swaminathan	ICICI Bank Ltd. (Lender)
Mr. R.N.Roy	Industrial Development Bank of India Ltd. (Lender)
Mr. Gokul Ram, IAS	KSIIDC (Equity Investor)
Mr. I.M.Vittala Murthy, IAS	KSIIDC (Equity Investor)
Mr. S.David Chandrasekaran	LIC of India (Lender)
Total No. of Directors = 12	

*SBU= Strategic Business Unit.

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

6 Meetings of the Board were held on the following dates during the year ended 31st March, 2005.

1. 29th June, 2004
2. 27th July, 2004
3. 26th October, 2004
4. 29th November, 2004
5. 31st January, 2005
6. 10th February, 2005

The attendance record of the Directors at the Board Meetings held during the year ended on 31st March, 2005 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 Directorships and *Committee Member / Chairmanship		
	Board Meetings	Last AGM (Y/N)	Other Director-ships#	Committee Member-ships	Committee Chairman-ships
Through out the Year					
Mr. P.R. Jindal	-	No	5	-	-
Dr. S.K. Gupta	6	Yes	3	2	2
Mr. Sajjan Jindal	4	Yes	5	Nil	Nil
Dr. B.N.Singh	6	Yes	Nil	Nil	Nil
Mr. Seshagiri Rao M.V.S	6	Yes	Nil	Nil	Nil
Mr. Balaji Swaminathan	5	No	4	-	-
Mr. R.N.Roy	6	Yes	1	-	-
Dr. Ramaswamy P. Aiyar	3	No	Nil	Nil	Nil
Mr. S David Chandrasekaran	6	Yes	Nil	Nil	Nil
Part of the Year					
Mr. Gokulram, IAS (from 13.07.2004)	-	No	-	-	-
Mr. I.M.Vittala Murthy IAS (from 22.11.2004)	1	No	10	-	-
Mr. Raman Madhok (from 04.02.2005)	1	N.A	4	3	Nil
Dr. S.S. Jha (upto 29.06.2004)	-	N.A	N.A	N.A	N.A
Mr. Subir Hari Singh, IAS (upto 13.07.2004)	1	N.A.	-	Nil	Nil
Mr. R.P.Singh (upto 30.03.2005)	2	No	N.A	N.A	N.A

*Only three committees, namely, Audit Committee, Shareholders/Investor Grievance Committee and Remuneration Committee have been considered.

Excluding Directorship in Private Companies.

3. AUDIT COMMITTEE:

i) The Audit Committee met 4 times during the year ended on 31st March, 2005 on 28.06.2004, 27.07.2004, 25.10.2004 & 31.01.2005. The Constitution of the Committee as at 31.03.2005 and the attendance of each Member is as given below:

Sl.No.	Name of the Director	No. of Meetings attended
1	Mr. Balaji Swaminathan (ICICI Bank Ltd.)	3
2	Mr. R. N. Roy (Industrial Development Bank of India Ltd.)	4
3	Mr. R.P.Singh (IFCI Ltd.) (upto 30.03.2005)	2
4	Dr. Ramaswamy P. Aiyar	3

All the 4 members of the Audit Committee are independent and Non-executive Directors. They possess adequate knowledge of Accounts, Audit, Finance, etc. Dr. Ramaswamy P. Aiyar, is the Chairman of the Audit Committee.

ii) Audit Committee meetings are also attended by the 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 18.04.2005 is as follows:

Sl. No.	Name of the Director
1	Dr.Ramaswamy P. Aiyar
2	Mr. Balaji Swaminathan (ICICI Bank Ltd.)
3	Mr. R.N.Roy (Industrial Development Bank of India Ltd.)

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 controls reported by Concurrent, Internal and Statutory Auditors. 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 292 A of the Companies Act, 1956.

4. REMUNERATION COMMITTEE:

The Remuneration Committee comprises of three Independent and Non-executive Directors namely:

a. Dr. Ramaswamy P. Aiyar

b. Mr. Balaji Swaminathan - Nominee Director (ICICI Bank Ltd.)

c. Mr. R.N.Roy -Nominee Director (Industrial Development Bank of India Ltd.)

2 meetings of the committee were held on 28.06.2004 & on 10.02.2005 during the year ended on 31st March, 2005. The Constitution of the Committee as at 31.03.2005 and the attendance of each Member is as given below.

Sl. No.	Name of the Director	No. of Meetings attended
1	Dr. Ramaswamy P. Aiyar	1
2	Mr. Balaji Swaminathan (ICICI Bank Ltd.)	2
3	Mr. R.N.Roy (Industrial Development Bank of India Ltd.)	2

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.

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 2004-05 is given below:

Name of Director	Salary & Perks (Rs in crores)	Commission (Rs in crores)	Present Period of Agreement	Notice Period
Mr. Sajjan Jindal Vice Chairman & Managing Director	0.32*	6.81	07.07.2002 to 06.07.2007	Not Applicable
Dr. B.N.Singh Jt. Managing Director & CEO	0.61	Nil	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	0.06*	Nil	04.02.2005 to 03.02.2010	3 months from either side.
Mr. Seshagiri Rao M.V.S Director (Finance)	0.39	Nil	06.04.2004 to 05.04.2009	3 months from either side.
Total	**1.38**	**6.81**		

*does not include remuneration paid in their capacity as Directors of erstwhile JISCO.

Note:
- Salary includes Basic Salary, House Rent Allowance, Bonus, LTA, Use of Company's Car, Furniture & Equipment and perquisites, the monetary value of which has been calculated in accordance with the provisions of the Income Tax Act, 1961 and Rules made there under but does not include Company's Contribution to Gratuity Fund,
- The Non-executive Directors do not draw any remuneration from the Company. Sitting fees to Non-executive Independent Directors is being paid at the rate of Rs.20,000/- for each meeting of the Board and sub-committees attended by them.

5. SHAREHOLDERS' / INVESTORS GRIEVANCE COMMITTEE:

The Shareholders/Investors Grievance Committee met 2 times during the year ended on 31st March 2005 on 25.10.2004 & 30.03.2005. The Constitution of the Committee as at 31.03.2005 and the attendance of each Member is as given below:

Sl. No.	Name of the Director	No. of Meetings attended
1.	Dr. Ramaswamy P. Aiyar	1
2.	Mr. Balaji Swaminathan (ICICI Bank Ltd.)	2
3.	Mr. R.P.Singh (IFCI Ltd.) (upto 30.03.2005)	1
4.	Mr. R.N.Roy (Industrial Development Bank of India Ltd.)	2

The Shareholders'/Investors' Grievance Committee was reconstituted on 18.04.2005 with the following members:

Sl. No.	Name of the Director
1	Dr. Ramaswamy P. Aiyar
2	Mr. Balaji Swaminathan (ICICI Bank Ltd.)
3	Mr. R.N.Roy (Industrial Development Bank of India Ltd.)

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

1) Review the reports submitted by the Registrars and Share Transfer Agents of the Company at half yearly intervals.

2) Periodically interact with the Registrars and Share Transfer Agents to ascertain and look into the quality of the Company's Shareholders / Investors grievance redressal system and to review the report on the functioning of the said Investor grievances redressal system.

3) Follow-up on the implementation of suggestions for improvement.

4) Periodically report to the Board about serious concerns if any.

Mr. R.P.Raichur, Vice President (Secretarial) & Company Secretary was the Compliance officer upto 13.04.2005 and Mr. Mehernosh Homi Kapadia, Company Secretary is the present Compliance officer. His address and contact details are as given below:

Address : Jindal Mansion, 5A, G. Deshmukh Marg, Mumbai -400 026
Phone : 022-23513000
Fax : 022-23526400
Email : mehernosh .kapadia@jvsl.com

No. of Shareholders' Complaints received during the year ended 31.03.05: 9733

Number not solved to the satisfaction of Shareholders: Nil

No. of pending Complaints: 154

No. of pending share Transfers as on 31.03.2005: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
8th AGM	23.08.2002	12.00 Noon	Regd.Office: P.O. Toranagallu, Sandur Taluk, Bellary District, Karnataka – 583 123.
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.

6.1 Postal Ballot:

Consent of the shareholders was sought through Postal Ballot to alter the provisions of Clause II (Situation Clause) of the Memorandum of Association of the Company so as to change the place of the Company's Registered Office from the State of Karnataka to the State of Maharashtra by passing a special resolution to that effect. The resolution was sent to the shareholders for their approval through postal ballot which was returnable by 10th February 2005. The results were declared and approved at the meeting on 16.02.2005 at the Registered Office of the Company at P.O.Toranagallu, Sandur Taluk, Bellary District, Karnataka– 583 123.

Of the total 7,10,286 ballot papers despatched, 32,443 were received of which 30,817 were valid and 1,626 were invalid. 93.05% voted in favour of the resolution and 6.95% voted against the resolution. One shareholder abstained from voting.

The Order of the Company Law Board (CLB), Southern Region Bench, Chennai dated 26th April 2005 for shifting the Company's Registered Office from the State of Karnataka to the State of Maharashtra has been registered by the Registrar of Companies, Karnataka and the Registrar of Companies, Maharashtra pursuant to the provisions of Section 18(3) of the Companies Act, 1956. The location of the new Registered Office of the Company as decided by the Board of Directors is at 'Jindal Mansion', 5A, Dr. G. Deshmukh Marg, Mumbai 400 026 with effect from 29th April 2005.

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.

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, generally in 'Hindu Business Line ' (Mumbai & Southern India Editions) and 'Samyuktha Karnataka'(Davanagere Edition).

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

The quarterly financial results during the financial year 2004-05 were published as detailed below:

Quarter (F.Y. 2004-05)	Date of Board Meeting	Date of publication	Name of the Newspaper
1	27.07.2004	28.07.2004	Hindu Business Line, Samyukta Karnataka.
2	26.10.2004	27.10.2004	Hindu Business Line, Samyukta Karnataka.
3	31.01.2005	01.02.2005	Hindu Business Line, Samyukta Karnataka.

8.1 **Management Discussion & Analysis Report :**

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

9. **GENERAL SHAREHOLDERS INFORMATION:**

Annual General Meeting

Date and Time: 13.06.2005 at 3.00 p.m.

Venue : Birla Matushri Sabhagar,
19, New Marine Lines, Mumbai 400 020.

Book Closure : 03.05.2005 TO 06.05.2005 (both days inclusive)

Financial Calendar 2005-06:

First quarterly results	:	July 2005
Second quarterly results	:	October 2005
Third quarterly results	:	January, 2006
Annual results for the year ending on 31.03.2006	:	April, 2006
Annual General Meeting for the year 2006	:	May/June 2006

Listing of Securities:

a. **Equity Shares:**

12,90,39,142 Equity Shares of your Company are presently listed on the following Stock Exchanges:

Bangalore Stock Exchange Limited

The Stock Exchange, Mumbai

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

The Stock Exchange, Mumbai

National Stock Exchange of India Limited

The Company has paid Annual Listing Fees to each of the above Stock Exchanges for the financial year 2004– 05.

c. **Warrants**

1,15,27,653 Share Warrants of your Company are presently listed on the following Stock Exchanges:

Bangalore Stock Exchange Limited

The Stock Exchange, Mumbai

National Stock Exchange of India Limited

Stock Code:

The Stock Exchange, Mumbai (BSE)			National Stock Exchange of India Limited (NSE)		
Equity	Preference	Warrants	Equity	Preference	Warrants
500228	700085	961633	JSWSTL	JSWSTL	JSWSTL

ISIN No. for Dematerialisation of shares & warrants :

Equity: INE019A01020 Preference: INE019A04016

Warrant: INE019A13017

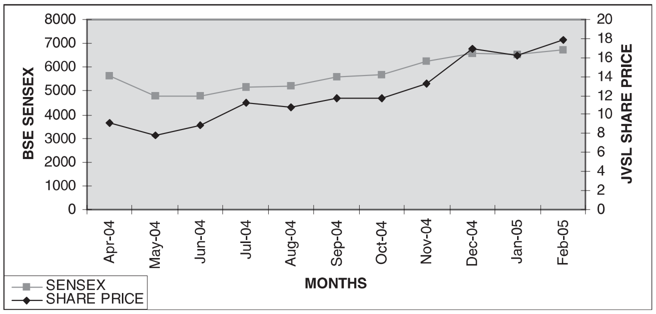
Market Price Data

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

Month (2004-05)	Quotation at Bangalore Stock Exchange		Quotation at Mumbai Stock Exchange		Quotation at National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April,2004	Nil	Nil	10.69	8.23	10.75	8.25
May,2004	Nil	Nil	9.85	6.58	9.75	6.00
June,2004	Nil	Nil	9.30	6.80	9.30	7.05
July,2004	Nil	Nil	12.20	7.65	12.35	7.85
Aug,2004	Nil	Nil	12.60	9.72	12.65	9.55
Sept,2004	Nil	Nil	12.61	10.50	12.65	10.20
Oct,2004	Nil	Nil	12.99	11.10	12.65	11.35
Nov,2004	Nil	Nil	14.40	11.67	14.40	11.65
Dec,2004	Nil	Nil	18.79	12.90	19.00	12.90
Jan,2005	Nil	Nil	18.00	14.00	18.00	13.95
Feb,2005	Nil	Nil	22.25	15.80	20.85	15.80
Mar,2005*	Nil	Nil	457.40	356.70	458.50	356.65

* Share Price indicated is that of the Company's shares after giving effect to the Scheme of Arrangement & Amalgamation, which was traded from March 23, 2005.

Performance of Share Price in comparison to BSE Sensex:



*Share Price performance indicated is that of the Company's shares prior to giving effect to the Scheme of Arrangement & Amalgamation, which was traded only upto February, 2005.

Registrars & Share Transfer Agent:

Karvy Computershare Pvt Ltd (w.e.f 01.04.2004)
No. 51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi, Bangalore – 560 004.
Ph. No.: (080) 26621184 / 92 / 93
Fax No.: (080) 26621169,
E-mail : kannans@karvy.com / prasannak@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, 2005 is given below:

Sl No	No. of Equity shares	No. of Share-holders	% of Shareholders	No. of Shares held	% of Shareholding
1	Upto – 5000	746632	99.25	17427177	13.51
2	5001 – 10000	3081	0.41	2218777	1.72
3	10001 – 20000	1385	0.18	1932083	1.50
4	20001 – 30000	415	0.06	1002048	0.78
5	30001 – 40000	188	0.02	657653	0.51
6	40001 – 50000	117	0.02	529717	0.41
7	50001 – 100000	211	0.03	1495858	1.16
8	>100001	240	0.03	103775829	80.41
	Total	**752269**	**100.00**	**129039142**	**100.00**

Categories of Shareholders as on 31.03.2005:

Category	No. of Holders	No. of Shares	% of holding
Promoters*	184	63021791	48.84
NRI	15858	2340868	1.81
FII	25	8021985	6.22
OCB	12	94307	0.07
IFI	13	7572613	5.87
IMF	63	3746010	2.90
Banks	27	14607256	11.32
Employees	3767	128284	0.10
Bodies Corporate	4498	6906936	5.36
Public	727782	22041334	17.08
Trust	40	557758	0.43
Total	**752269**	**129039142**	**100.00**

* Excluding 1.66 % held by KSIIDC, which is shown under Bodies Corporate.

Dematerialisation of Shares and Liquidity:

The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. 10,96,09,708 Equity Shares aggregating to 84.94% of the total Equity Capital is held in dematerialised form as on 31st March, 2005 of which 82.73% (106751831 Equity shares) of total equity capital is held with NSDL and 2.21% (2857877 Equity shares) of total equity capital with CDSL as on 31.03.2005.

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.

Regd. Office:

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

Plant Locations:

a. P.O. Toranagallu, Sandur Taluk, Bellary Dist. Karnataka – 583 123. (Upstream SBU)

b. Vasind, Shahapur Taluk, Thane, Maharashtra – 421 604. (Down Stream SBU)

c. Tarapur, MIDC Boisar, Thane, Maharashtra – 401 506. (Down Stream SBU)

Address for Investor Correspondence :

Jindal Vijayanagar Steel Limited

Registrars & Share Transfer Agent:
Karvy Computershare Pvt Limited,
TKN Complex, 51/2, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore – 560 004.
Tel.: 080-26621184/92/93
Fax : 080-26621169

JVSL Investors Relation Centre:
303, The Enclave,
Off Appa Saheb Marathe Marg,
Prabhadevi, Mumbai – 400 025.
Tel.: 022-24328000
Fax: 022- 24327700

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 of the Listing Agreements executed with Stock Exchanges, which is annexed herewith.

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:

We have examined the compliance of the conditions of Corporate Governance by Jindal Vijayanagar Steel Limited for the year ended 31st March, 2005, 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.

On the basis of representation received from Registrars and Share Transfer Agents and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended 31st March, 2005, no Investor Grievances were pending for a period exceeding one month.

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

N. KISHORE BAFNA
Partner

Place : Mumbai
Date : 9th May , 2005

AUDITORS' REPORT

TO
THE MEMBERS
JINDAL VIJAYANAGAR STEEL LIMITED

1. We have audited the attached Balance Sheet of JINDAL VIJAYANAGAR STEEL LIMITED as at 31st March, 2005, the Profit and Loss Account for the year ended on that date 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, 2005, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on 31st March, 2005 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, 2005;
      ii) in the case of the Profit & 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
N. KISHORE BAFNA
Partner
(Membership No. 7642)

Place : Mumbai
Date : 18th April , 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2005 OF JINDAL VIJAYANAGAR STEEL LIMITED.

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 contracts or arrangements entered in the register maintained under Section 301 of the Act and 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 provision 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, 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.	8.68
	Customs, Excise and Service Tax Appellate Tribunal, Chennai.	3.63
Excise Duty	Customs, Excise and Service Tax Appellate Tribunal, Bangalore.	25.23
	The Deputy Commissioner, Mumbai.	0.03
	The Commissioner of Central Excise, Mumbai.	1.02
	Customs, Excise and Service Tax Appellate Tribunal, Mumbai.	1.08
Income-tax & Wealth-tax	The Commissioner of Income-tax (Appeals)	1.45
Sales Tax	The Asst Commissioner of Commercial tax	0.01
Cess	Maharastra Industrial Development Corporation	2.21
	Maharashtra Pollution Control Board	0.01
	High Court of Karnataka	1.73
Special Entry Tax	High Court of Karnataka	2.38

10. The Company has no accumulated losses as at 31st March, 2005 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 year, no fraud on or by the Company has been noticed or reported during the course of our audit.

For LODHA & CO.
Chartered Accountants
N. KISHORE BAFNA
Partner
(Membership No. 7642)

Place : Mumbai
Date : 18th April , 2005

BALANCE SHEET AS AT 31ST MARCH, 2005

Rupees in crores

	Schedule No.	As at 31.03.2005	As at 31.03.2004
SOURCES OF FUNDS			
1. **Shareholders' Funds :**			
(a) Share Capital	1	**469.13**	1,631.08
(b) Reserves and Surplus	2	**2,680.59**	-
		3,149.72	1,631.08
2. **Loan Funds :**			
(a) Secured Loans	3	**3,568.44**	4,647.17
(b) Unsecured Loans	4	-	139.86
		3,568.44	4,787.03
3. Deferred Tax Liability - Net		**305.49**	-
4. Long Term advance from customer		**267.97**	-
	Total :	**7,291.62**	6,418.11
APPLICATION OF FUNDS			
1. **Fixed Assets :**	5		
(a) Gross Block		**7,520.30**	6,226.87
(b) Less: Depreciation		**1,443.91**	1,032.12
(c) Net Block		**6,076.39**	5,194.75
(d) Capital Work-in-Progress		**349.30**	51.18
		6,425.69	5,245.93
2. **Investments**	6	**229.57**	229.57
3. **Deferred Tax Asset - Net**		**-**	294.00
4. **Current Assets, Loans and Advances :**			
(a) Inventories	7	**743.41**	287.91
(b) Sundry Debtors	8	**266.60**	406.71
(c) Cash and Bank Balances	9	**122.49**	78.16
(d) Loans and Advances	10	**761.50**	232.02
		1,894.00	1,004.80
Less: Current Liabilities and Provisions:			
(a) Liabilities	11	**1,375.95**	878.97
(b) Provisions	12	**232.31**	18.40
		1,608.26	897.37
Net Current Assets		**285.74**	107.43
5. (a) **Miscellaneous Expenditure** (to the extent not written off or adjusted)	13	**350.62**	409.28
(b) **Profit and Loss Account**		**-**	131.90
	Total :	**7,291.62**	6,418.11
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

N.KISHORE BAFNA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

RAMAN MADHOK
Jt. Managing Director & CEO

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

Place : Mumbai,
Dated: 18th April, 2005

LANCY VARGHESE
Asst. Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

Rupees in crores

	Schedule No.	Year Ended 31.03.2005	Year Ended 31.03.2004
INCOME :			
1. Gross Turnover		**8,690.13**	3,590.49
Less : Inter Divisional Transfer		**(1,654.23)**	-
Gross Sales		**7,035.90**	3,590.49
Less: Excise duty		**356.54**	316.53
Net Sales		**6,679.36**	3,273.96
2. Other Income	14	**18.98**	23.03
		6,698.34	3,296.99
EXPENDITURE :			
3. Cost of Materials	15	**2,848.88**	1,406.29
4. Manufacturing and Other Expenses	16	**1,376.42**	764.41
5. Employees Remuneration & Benefits	17	**107.21**	42.87
6. Interest and Finance charges	18	**469.87**	407.14
7. Depreciation		**359.54**	312.88
8. Miscellaneous Expenditure Written-off		**60.48**	64.00
		5,222.40	2,997.59
Profit before Exceptional items and Taxation		**1,475.94**	299.40
9. Exceptional Items		**(3.33)**	390.76
Profit before Taxation		**1,472.61**	690.16
10. **Provision for Taxation**			
Current Tax		**74.50**	17.89
Deferred Tax		**528.00**	143.59
Profit after Taxation		**870.11**	528.68
11. Profit/(Loss) brought forward from earlier years		**(131.90)**	(660.58)
Amount available for Appropriations		**738.21**	(131.90)
12. Appropriations :			
Transfer to Debenture Redemption Reserve		**25.00**	-
Dividend on Preference Shares for FY 2003-04		**19.59**	-
Dividend on Preference Shares for FY 2004-05		**27.91**	-
Interim Dividend on Equity Shares		**38.71**	-
Proposed Final Dividend on Equity Shares		**64.52**	-
Tax on Equity and Preference Dividend		**20.58**	-
Transfer to General Reserve		**87.02**	-
Balance carried to Balance Sheet		**454.88**	(131.90)
Earnings per share (EPS) in Rs. : (before Exceptional items - net of tax)			
Basic		**65.12**	24.36
Diluted		**59.78**	21.46
Earnings per share (EPS) in Rs. : (after Exceptional items - net of tax)			
Basic		**64.98**	59.56
Diluted		**59.66**	52.45
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

N.KISHORE BAFNA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

RAMAN MADHOK
Jt. Managing Director & CEO

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

Place : Mumbai,
Dated: 18th April, 2005

LANCY VARGHESE
Asst. Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

Rupees in crores

			Year Ended 31.03.2005		Year Ended 31.03.2004
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS AND TAXATION		**1,475.94**		299.40
	Adjustments for :				
	Depreciation	**359.54**		312.88	
	Miscellaneous Expenditure written off	**60.48**		64.00	
	Profit/(Loss) on sale of fixed assets	**(0.72)**		0.19	
	Interest Income	**(4.83)**		(2.14)	
	Profit on sale of Investment	**0.00**		(0.05)	
	Dividend Income	**(0.03)**		(0.02)	
	Interest	**435.67**		378.36	
	Foreign exchange variation (net)	**0.60**		(0.36)	
	Wealth Tax	**0.52**		0.24	
	Miscellaneous Expenditure Paid	**(4.22)**		0.00	
	Provision no longer required written back	**(9.47)**		(14.45)	
			837.54		738.65
	Operating profit before working capital changes		**2,313.48**		1,038.05
	Adjustments for :				
	Trade and other receivables	**(272.80)**		(215.90)	
	Trade payables	**364.32**		96.98	
	Inventories	**(331.23)**		(21.46)	
			(239.71)		(140.38)
	Cash flow before taxation & exceptional items		**2,073.77**		897.67
	Direct Taxes Paid		**(72.04)**		(7.00)
	Cash flow before exceptional items		**2,001.73**		890.67
	Exceptional items		**(3.33)**		-
	NET CASH FLOW FROM OPERATING ACTIVITIES		**1,998.40**		890.67
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets and capital advances		**(439.98)**		(56.58)
	Sale of Fixed Assets		**1.97**		0.38
	Sale of Investments		**-**		0.55
	Interest received		**4.10**		2.50
	Dividend received		**0.03**		0.02
	Loans and Advances		**4.55**		(1.17)
	Other Payables		**19.81**		(36.98)
	NET CASH (USED IN) / FROM INVESTING ACTIVITIES		**(409.52)**		(91.28)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Receipts against Debts Securitisation		**478.35**		-
	Repayments against Debts Securitisation		**(210.38)**		-
	Proceeds from Long Term Borrowings		**1,075.00**		-
	Repayment against Long Term Borrowings		**(2,440.93)**		(341.77)
	Increase in Bank Borrowings for working capital		**2.05**		11.74
	Interest Paid		**(432.76)**		(437.06)
	Dividend Paid		**(65.92)**		-
	NET CASH (USED IN) / FROM FINANCING ACTIVITIES		**(1,594.59)**		(767.09)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)		**(5.71)**		32.30
	CASH AND CASH EQUIVALENTS - OPENING BALANCE		**41.31**		9.01
	ADD : AS PER THE SCHEME OF ARRANGEMENT & AMALGAMATION		**4.38**		-
			45.69		9.01
	CASH AND CASH EQUIVALENTS - CLOSING BALANCE		**39.98**		41.31

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. 82.51 crores (previous year Rs. 36.85 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

N.KISHORE BAFNA
Partner

SESHAGIRI RAO M.V.S
Director (Finance)

RAMAN MADHOK
Jt. Managing Director & CEO

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

Place : Mumbai,
Dated: 18th April, 2005

LANCY VARGHESE
Asst. Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

Rupees in crores

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 1		
SHARE CAPITAL		
1. **Authorised :**		
200,00,00,000 (previous year 200,00,00,000) Equity Shares of Rs.10 each	**2,000.00**	2,000.00
100,0000,000 (previous year 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:**		
12,90,39,142 (previous year 129,10,15,500) Equity Shares Equity Shares of Rs.10 each * @ $	**129.04**	1,291.02
Add : Shares Forfeited (Amount originally paid-up)	**61.06**	61.03
27,90,34,907 (previous year 27,90,34,907) 10% Cumulative Redeemable Preference Shares of Rs.10 each #	**279.03**	279.03
Total:	**469.13**	1,631.08

@ forfeiture of 3,571 shares (previous year 17,500) was annulled during the year.

Redeemable at par in four equal quarterly instalments commencing from 15th December, 2017.

* Refer Note B-3 in Schedule 19 regarding implementation of Scheme of Arrangement and Amalgamation

$ Company has issued 1,15,27,653 warrants, an option to the holders thereof to subscribe for one equity share of the face value of Rs. 10 each at a price of Rs.160 per equity share (including premium of Rs. 150 per share) on or before 1st April, 2006.

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 2		
RESERVES AND SURPLUS:		
1. **Securities Premium Account :**		
As per the Scheme of Arrangement & Amalgamation *	**13.94**	-
	13.94	-
2. **Debenture Redemption Reserve:**		
As per the Scheme of Arrangement & Amalgamation *	**74.19**	-
Add : Transfer from Profit and Loss Account	**25.00**	-
	99.19	-
3. **General Reserve:**		
As per the Scheme of Arrangement & Amalgamation *	**1,760.87**	-
Add : Transfer from Profit and Loss Account	**87.02**	-
	1,847.89	-
4. **Surplus in Profit and Loss Account**		
As per the Scheme of Arrangement & Amalgamation *	**264.69**	-
Add : Balance as per Profit and Loss account for the year	**454.88**	-
Total:	**2,680.59**	-

* Refer Note B-3 in Schedule 19 regarding implementation of Scheme of Arrangement and Amalgamation

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 3		
SECURED LOANS		
1. **Debentures :**		
Non-Convertible Debentures(NCDs)		
Nil (previous year 1,89,10,518) 14 % Redeemable Secured Non Convertible Debentures of Rs.20 each	-	37.82
Less: Redeemed till date	-	(28.36)
	-	9.46
Nil (previous year 1,91,14,955) Redeemable Secured Non Convertible Debentures of Rs.100 each	-	191.15
8% Redeemable] Secured Non Convertible Debenture of Rs. 100 each (Series A)	**262.62**	279.04
8% Redeemable Secured Non Convertible Debenture of Rs. 100 each (Series B)	**92.87**	98.68
14.25% Redeemable Secured Non Convertible Debenture of Rs. 100 each	**1.67**	-
10% Redeemable Secured Non Convertible Debenture of Rs. 100 each	**251.23**	-
	608.39	578.33
2. **Secured Redeemable Optionally Fully Convertible Debentures (OFCDs)**		
Nil (previous year 32,36,640) OFCDs of Rs. 100 each	-	32.36
Nil (previous year 4,35,442) OFCDs of Rs. 100 each.	-	3.96
Add: Interest accrued and due	-	10.08
	-	46.40
3. **Banks:**		
(a) Buyer's Credit (Foreign Currency Loans)	**185.72**	216.51
(b) Rupee Term Loans	**1,026.22**	815.59
(c) Foreign Currency Term Loans	**390.17**	792.26
	1,602.11	1,824.36
4. **Financial Institutions:**		
(a) Buyer's Credit (Foreign Currency Loans)	**62.99**	87.46
(b) Rupee Term Loans	**767.96**	1,454.77
(c) Foreign Currency Term Loans	**404.88**	586.76
	1,235.83	2,128.99
5. **Working Capital Loans from Banks**	**122.11**	69.09
Total:	**3,568.44**	4,647.17

Notes:

1. **Terms of Redemption:**
   (i) The 8% Non-Convertible Debentures of Rs. 100 each shall be redeemed in instalments of :
   - Series 'A' : First instalment of Rs. 3.18 crores on 30.11.2004; 19 monthly instalments of Rs. 3.31 crores each from 31.12.2004 to 30.6.2006; 29 monthly instalments of Rs. 7.09 crores each from 31.7.2006 to 30.11.2008 and last of Rs. 7.40 crores on 30.12.2008.
   - Series 'B' : First instalment of Rs. 1.13 crores on 30.11.2004; 19 monthly instalments of Rs. 1.17 crores each from 31.12.2004 to 30.6.2006; 29 monthly instalments of Rs. 2.51 crores each from 31.7.2006 to 30.11.2008 and last installment of Rs. 2.61 crores on 31.12.2008.

   (ii) The 14.25% Secured Debentures of the face value of Rs.5,00,000 each are redeemable at par in three instalments of Rs. 1,66,666, Rs. 1,66,667 and Rs. 1,66,667 on the expiry of 5th , 6th and 7th year,respectively from the relevant dates of allotment, i.e. 10th August, 1998 and 16th September, 1998.

   (iii) 10% Secured Debentures are redeemable in 59 monthly instalments of Rs. 7.62 crores each from 28th February, 2003.

   (iv) The instalments due for redemption for all aforesaid NCDs upto 31.3.2005 have been redeemed.

2. **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. 3,108.49 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, Taluka Sandur, District Bellary 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. 84.94 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 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) 14.25% NCDs and 10 % NCDs (previous year 10.5% and 14.25% NCDs) are secured by:
(i) - pari passu charge by way of equitable mortgage in respect of immovable properties of Downstream Division both present and future located at Tarapur and Vasind and
- pari passu charge by way of hypothecation of movable properties of Downstream Division both present and future excluding inventories and book debts.
The above mentioned mortgage / hypothecation shall rank second and subservient to the charge created in favour of Financial Institutions/Banks for their Rupee/Foreign currency Term Loans.

(c) The Company is in the process of issuing debenture certificates in respect of the said 10% NCDs (previous year 10.5% and 14.25% NCDs) and upon creation of security in respect of the 10% NCDs, the existing second charge is to be upgraded to first charge.

(d) Entire 14.25% NCDs & 10% NCDs to the extent of Rs. 11.67 crores are secured by way of Guarantee Assistance by IFCI Ltd. This guarantee assistance from IFCI Ltd. is secured by pari passu first charge by way of equitable mortgage in respect of immovable properties and hypothecation of movable properties of Downstream Division located at Tarapur and Vasind excluding inventories and book debts.

(C) 8% NCDs, Buyer's credit, Rupee/Foreign Currency Term Loans/Guarantee assistance from Financial Institutions / Banks aggregating to Rs. 2,701.45 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) 10% NCDs and Rupee / Foreign Currency Term Loans aggregating to Rs. 2,662.63 crores (previous year Rs. 4,168.60 crores) as interim security are personally guaranteed/ to be guaranteed by the Vice Chairman & Managing Director of the Company alongwith interest thereon.

(E) Working capital loans from Banks are secured/to be secured to the extent of Rs. 0.04 crores (previous year Rs. 69.09 crores) 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 villages, Sandur Taluk, District Bellary in the state of Karnataka.
(iv) personal guarantee of the Vice Chairman & Managing Director of the Company as interim security pending compliance of certain terms and conditions.

(F) Working capital loans from Banks are secured/to be secured to the extent of 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 120,75,000 equity shares of the Company held by promoters.
- (iii) personal guarantee of the Vice Chairman & 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, 2005, the same are not considered as potential equity shares for the purpose of calculating diluted earnings per share.

Rupees in crores

	As at 31.03.2005	As at 31.03.200
SCHEDULE 4		
UNSECURED LOANS		
Buyer's credit (Foreign Currency loans) from banks	-	139.86
Total:	-	139.86

SCHEDULE 5
FIXED ASSETS

Rupees in crores

	Gross Block					Depreciation					Net Block	
Particulars	As at 01.04.2004	Acquired under Scheme of Arrangement & Amalg-amation	Additions/ Adjustments	Deductions/ Adjustments	**As at 31.03.2005**	As at 01.04.2004	Acquired under Scheme of Arrangement & Amalg-amation	For the year	Deductions/ Adjustments	**Up to 31.03.2005**	**As at 31.03.2005**	**As at 31.03.2004**
Freehold Land	0.07	66.45	0.78	18.76	**86.06**	-	-	-	-	**-**	**86.06**	0.07
Leasehold Land	23.23	2.66	1.71	(20.05)	**7.55**	-	0.03	0.03	-	**0.06**	**7.49**	23.23
Buildings	1,184.14	64.32	25.22	(0.98)	**1,272.70**	121.12	1.82	39.77	(0.10)	**162.61**	**1,110.09**	1,063.02
Plant & Machinery@	4,998.71	915.43	201.11	(7.51)	**6,107.74**	902.58	57.09	316.55	(7.34)	**1,268.88**	**4,838.86**	4,096.13
Furniture & Fixtures@	13.53	4.07	3.01	(0.12)	**20.49**	6.54	0.23	1.32	(0.01)	**8.08**	**12.41**	6.99
Vehicles & Aircraft	7.19	11.31	8.68	(1.42)	**25.76**	1.88	0.96	1.87	(0.43)	**4.28**	**21.48**	5.31
Total :	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**	**5,194.75**
Previous Year	6,309.56	-	66.82	(149.51)	6,226.87	719.83	-	312.88	(0.59)	1,032.12	5,194.75	
@ Include proportionate share of assets jointly owned												
Plant & Machinery	32.98	0.23	-	-	**33.21**	6.67	0.01	1.43	-	**8.11**	**25.10**	26.31
Furniture & Fixtures	2.54	1.69	-	-	**4.23**	1.24	0.11	0.15	-	**1.50**	**2.73**	1.30
Capital Work in Progress (including Pre-operative expenses & capital advances)											**349.30**	**51.18**

Notes:

(1) During the year, an amount Rs. 20.05 crores was transferred from Lease hold land to Freehold land, since the Company has exercised its option to convert the leasehold land into freehold land, as per the terms of lease agreement with Karnataka State Industrial and Investment Corporation Limited (KSIIDC). The registration formalities are under progress.

(2) Leasehold Land costing Rs.0.15 crores and Rs.3.02 crores acquired by the Company from Karnataka State Industrial and Investment Corporation Limited 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.

(3) Execution of conveyance deed in favour of the Company is pending in respect of Freehold land of Rs.18.30 crores.

(4) 'Buildings' include:
- (a) Roads not owned by the Company amortised over a period of five years. Gross Block Rs. 2.18 crores (previous year Rs. 0.85 crores); Net block Rs. 1.71 crores (previous year Rs. 0.56 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. 7.89 crores); Net block Rs. 2.82 crores (previous year Rs.7.37 crores)
- (c) Execution of Conveyence deed in favour of the Company is pending in respect of Building of Rs 3.73 crores.
- (d) Cost of shares in Co-operative Housing Societies. Rs. 1,250.

(5) 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. 3.23 crores (previous year Rs. 4.97 crores).
- (b) ERP software. Gross block Rs. 9.93 crores (previous year Rs.9.93 crores); Net block Rs. 2.53 crores (previous year Rs. 4.02 crores).

(6) Adjustment to Plant & Machinery include Foreign Exchange Fluctuations - current year (loss) Rs. 84.73 crores, Previous year (gain) Rs. 148.33 crores.

(7) Refer Note B-3 in Schedule 19 regarding implementation of Scheme ofArrangement and Amalgamation.

	Face Value Rupees	Nos.	As at 31.03.2005 Rupees in crores	Nos.	As at 31.03.2004 Rupees in crores
SCHEDULE 6					
INVESTMENTS					
LONG TERM :					
1. **IN GOVERNMENT SECURITIES**					
National Savings Certificates* (Rs. 34000; previous year Rs. 25000)			-		-
2. **TRADE & UNQUOTED**					
(a) **IN EQUITY SHARES**					
Jindal Thermal Power Co.Ltd. (JTPCL)@	10	144499400	**144.50**	144499400	144.50
Jindal Praxair Oxygen Company Pvt. Ltd. (JPOCL) @	10	39520000	**39.52**	39520000	39.52
Vijayanagar Minerals Private Ltd. (Rs. 40000; previous year Rs. 40000)	10	4000	**-**	4000	-
(b) **IN PREFERENCE SHARES OF JPOCL**					
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:			**229.57**		229.57
Aggregate Book Value-Unquoted Investments			**229.57**		229.57

Notes :
1. * Pledged with Commercial Tax Department.
2. @ Pledged as security in favour of certain Financial Institutions for loans granted to JTPCL/JPOCL.
3. 1.59 crores Units of Principal Cash Management Fund of Rs.10 each were purchased and sold during the year.

Rupees in crores

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 7		
INVENTORIES		
(As taken, valued and certified by the Management)		
1. Raw Materials	**466.12**	189.27
2. Production Consumables and Stores & Spares	**115.87**	59.64
3. Work in Progress	**54.88**	21.87
4. Semi Finished/ Finished Goods	**106.54**	17.13
Total:	**743.41**	287.91
SCHEDULE 8		
SUNDRY DEBTORS		
Unsecured		
Outstanding for a period exceeding six months :		
Considered Good	**30.26**	0.09
Considered Doubtful	**7.39**	1.27
Other Debts:		
Considered Good	**236.34**	406.62
Considered Doubtful	**0.19**	0.07
Less: Provision for Doubtful debts	**(7.58)**	(1.34)
Total:	**266.60**	406.71

Rupees in crores

		As at 31.03.2005	As at 31.03.200
SCHEDULE 9			
CASH AND BANK BALANCES			
1. Cash balance in hand		**0.20**	0.06
2. Cheques in hand		2.15	11.70
3. Balances with Scheduled Banks :			
(a) In Current Accounts		**42.44**	41.86
(b) In Margin Money Accounts		**77.70**	24.54
(c) In Short Term Deposit Accounts (Rs. 10000 ; previous year Rs. 10000)		**-**	-
Total:		**122.49**	78.16

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	**563.78**		202.12	
Less: Provision for Doubtful Advances	**2.57**		-	
		561.21		202.12
2. Excise Modvat receivable		**88.73**		22.24
3. Advance Tax and Tax deducted at source		**111.56**		7.66
4. Loans to Bodies Corporate	**9.10**		11.57	
Less: Provision for Doubtful Loans	**9.10**	**-**	11.57	-
Total:		**761.50**		232.02

	As at 31.03.2005	As at 31.03.200
SCHEDULE 11		
CURRENT LIABILITIES		
1. Acceptances	**667.02**	303.95
2. Sundry Creditors	**490.95**	410.66
3. Advances from Customers	**17.95**	79.30
4. Interest Accrued but not due on loans	**102.31**	54.06
5. Other Liabilities*	**91.70**	18.24
6. Investor Education and Protection Fund shall be credited by @ :		
(a) Unclaimed Debenture Redemption Instalments	**3.52**	8.56
(b) Unclaimed Debenture Interest	**1.67**	4.20
(b) Unclaimed Dividend	**0.83**	-
Total:	**1,375.95**	878.97

* Other liabilities include 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 outsanding as on 31.03.2005.

	As at 31.03.2005	As at 31.03.200
SCHEDULE 12		
PROVISIONS		
1. Provision for :		
Income Tax	**125.77**	18.16
Wealth Tax	**1.15**	0.24
2. Proposed Dividend on Preference Shares	**27.91**	-
3. Proposed Dividend on Equity Shares	**64.52**	-
4. Tax on Equity and Preference Dividend	**12.96**	-
Total:	**232.31**	18.40
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
1. Preliminary and Share Issue Expenses	**2.06**	3.64
2. Deferred Revenue Expenditure *	**348.56**	405.64
Total:	**350.62**	409.28

* Includes 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 , 2005

Rupees in crores

	Year Ended 31.03.2005	Year Ended 31.03.2004
SCHEDULE 14		
OTHER INCOME		
1. Dividend on Current Investments	**0.03**	0.02
2. Profit on sale of fixed assets	**1.15**	-
3. Profit on sale of Current Investments	**-**	0.05
4. Miscellaneous income	**8.33**	8.51
5. Provisions no longer required written-back	**9.47**	14.45
Total:	**18.98**	23.03
SCHEDULE 15		
COST OF MATERIALS		
1. Raw Materials Consumed	**2,887.97**	1,395.88
2. Excise duty on Stock of finished goods (net)	**4.22**	(1.92)
3. **(Increase)/Decrease in Stock**		
Opening Stock : *		
Semi Finished /Finished Goods	**93.46**	27.72
Work-in-progress	**24.65**	23.61
	118.11	51.33
Closing Stock :		
Semi Finished /Finished Goods	**106.54**	17.13
Work-in-progress	**54.88**	21.87
	161.42	39.00
(Increase)/Decrease in Stock	**(43.31)**	12.33
Total:	**2,848.88**	1,406.29

* Includes Rs.79.11 crores taken over from the erstwhile JISCO as per Scheme of Arrangement and Amalgamation.

	Year Ended 31.03.2005	Year Ended 31.03.2004
SCHEDULE 16		
MANUFACTURING AND OTHER EXPENSES		
1. Rent	**2.22**	0.55
2. Rates & Taxes	**1.96**	1.49
3. Insurance	**11.26**	7.32
4. Power and Fuel	**541.67**	467.14
5. Stores & Spares	**282.98**	166.49
6. Carriage Inward	**65.76**	-
7. Repairs & Maintenance :		
8. (i) Plant & Machinery	**98.98**	46.82
(ii) Buildings	**28.01**	8.29
(iii) Others	**2.03**	1.96
9. Brokerage & Commission on:		
(i) Domestic Sales	**2.46**	0.27
(ii) Export Sales	**43.69**	5.94
10. Freight	**228.30**	48.00
11. Cash Discount	**1.94**	0.92
12. Directors' Sitting Fees	**0.20**	0.07
13 Donations	**0.91**	0.50
14. Foreign Exchange Fluctuation (net)	**(22.45)**	(20.76)
15 Miscellaneous Expenses	**85.65**	28.96
16. Wealth Tax	**0.52**	0.24
17. Provision for Doubtful Debts	**(0.17)**	-
18. Provision for Doubtful Loans/Advances	**0.07**	0.02
19. Loss on sale of fixed assets	**0.43**	0.19
Total:	**1,376.42**	764.41

Rupees in crores

	Year Ended 31.03.2005	Year Ended 31.03.2004
SCHEDULE 17		
EMPLOYEES' REMUNERATION & BENEFITS		
1. Salaries, Wages and Bonus	**93.71**	37.15
2. Contibution to Provident and Other Funds	**6.12**	2.11
3. Staff Welfare Expenses	**7.38**	3.61
Total:	**107.21**	42.87
SCHEDULE 18		
INTEREST AND FINANCE CHARGES		
1. Interest on :		
Debentures and Fixed Loans	**389.47**	359.49
Others	**58.58**	30.56
2. Finance Charges	**26.65**	19.23
	474.70	409.28
Less: Interest Income	**4.83**	2.14
Total:	**469.87**	407.14

SCHEDULE 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. General

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 liability for customs duty in respect of capital goods lying in bonded premises and those with significant uncertainties.

2. Valuation of Inventories

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. Obsolete, defective, unserviceable and slow/non moving stocks are duly provided for.

b) 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 overheads including freight costs upto the ports in respect of finished goods meant for exports.

3. Fixed Assets, Depreciation and Impairment Loss

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

b) Preoperative 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 capitalised/ treated as deferred revenue expenses, as approved by the Management.

c) 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.

d) 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.

e) Continuous process plants as defined in Schedule XIV to the Companies Act, 1956 have been considered on technical assessment and depreciation provided accordingly.

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

g) In case, the recoverable amount of the fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

4. **Borrowing Costs**
Borrowing costs attributable to the acquisition and construction of an asset are capitalised as part of the cost of such asset upto 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 a profit and loss account.

5. **Investments**
   a) Long term investments are stated at cost. In case, there is a permanent diminution in the value of any investments, a provision for the same is made in the accounts.
   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.

6. **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 up to ten years, depending upon the nature and benefit of such expenditure in future.

7. **Transactions in Foreign Currencies**
   a) Transactions are recorded at the exchange rates prevailing on the date of the transaction.
   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) In case of forward contracts, the exchange differences are dealt with in the Profit and Loss account over the period of the contracts except in respect of liabilities incurred for acquiring fixed assets in which case, the differences are adjusted in their carrying cost.

8. **Retirement Benefits**
   a) Contribution to Provident and Family Pension Funds are funded as a percentage of salary/wages.
   b) Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
   c) Leave encashment liability is provided for on the basis of actuarial valuation as at the year end.

9. **Income Tax**
Provision for current tax is made on the basis of relevant provisions of the Income Tax Act, 1961. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is virtual / reasonable certainty that these would be realised in future.

10. **Research and Development expenditure**
Revenue expenditure is charged to profit and loss account and capital expenditure added to cost of fixed assets.

11. **Provisions, Contingent Liabilities and Contingent Assets**
A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities, if material, are disclosed by way of notes to accounts. Contingent assets are not recognised or disclosed in the financial statements.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities not provided for:
   a) Bills Discounted Rs. 487.01 crores (since realized Rs. 256.77 crores), previous year Rs.155.26 crores (since realized Rs. 94.75 crores).
   b) Disputed statutory claims/levies, including, those pending in courts (excluding interest leviable, if any), in respect of (i) Excise Duty Rs. 41.43 crores (previous year Rs. 57.34 crores) net of possible reimbursement Rs. 19.41 crores (previous year Rs. 17.51 crores); (ii) Custom Duty Rs. 61.61 crores (previous year Rs. 77.83 crores); (iii) Income Tax Rs. 31.37 crores (previous year Rs. 11.00 crores); (iv) Sales Tax / Special Entry tax Rs. 2.70 crores (previous year Rs. 0.07 crores); (v) Miscellaneous Rs. 0.24 crores (previous year Rs. 0.53 crores) and (vi) Levies by local authorities Rs. 12.49 crores (previous year Rs. 12.49 crores).
   c) Claims against the Company not acknowledge as debts : (i) claims by various suppliers of goods and services Rs. 4.87 crores (previous year Rs. 19.33 crores) net of possible reimbursement / adjustments Rs. 164.17 crores (previous year Rs. 13.04 crores) and (ii) claims by customers and others Rs. 0.94 crores (previous year Nil).

2. Estimated amount of contract remaining to be executed on capital account and not provided for (net of advances) Rs. 789.59 crores (previous year Rs. 31.98 crores).

3. **Scheme of Arrangement and Amalgamation :**
   a) In accordance with the Scheme of Arrangement and Amalgamation (Scheme), as approved by the Hon'ble High Courts of Bombay and Karnataka vide order dated 3rd September, 2004 and 20th January, 2005 respectively, the steel business along with related assets and liabilities of the erstwhile Jindal Iron & Steel Company Limited (JISCO), whose principal business was of manufacturing of galvanized and cold rolled steel, has been transferred to and vested with the Company with effect from appointed date 1st April, 2003. The Scheme has accordingly been given effect to in these accounts.
   b) The amalgamation has been accounted for under "purchase method" of accounting as prescribed by Accounting Standard (AS) 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India.
   c) The difference of Rs. 97.93 crores arising between the net assets transferred as of 1st April, 2003 and the equity share issued (as computed below) has been credited to General Reserve.

	Rupees in crores
Fixed Assets & Capital Work-in-progress	**1,015.92**
Net Current Assets	**139.00**
Total :	**1,157.05**
Less : Secured / Unsecured Loans	**845.77**
Deferred Tax Liabilities	**92.10**
Debenture Redemption Reserve	**74.19**
Amount of equity shares issued to the shareholders of erstwhile JISCO.	**42.80**
Excess credited to General Reserve	**97.93**

The aforesaid difference, per se, as per Accounting Standard (AS) - 14 "Accounting for Amalgamations" 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.

   d) From 1st April, 2003, the erstwhile JISCO had carried the steel business in "trust" on behalf of the Company. Profit for the year 2003-04 of erstwhile JISCO after making the following adjustments has been added to the profit and loss account, as disclosed in Schedule 2.

	Rupees in crores
Profit before Tax for F.Y. 2003-04 as per Audited Accounts	**337.08**
Adjustment of Increase/ (decrease) in Profit :	
i) Unrealised profit on Closing stock arising out of inter divisional transfer.	**(52.96)**
ii) Effect of change in the accounting policies to ensure uniformity.	**(11.49)**
iii) Expenses/(Income) of Investment division of erstwhile JISCO since de-merged.	**(0.44)**
iv) Provision for Tax	
- Current Tax	**(28.11)**
- Deferred Tax	**20.61**
	264.69

   e) Share premium received by erstwhile JISCO during the year 2003-04 amounting to Rs. 13.94 crores is added to Securities Premium Account of the Company.
   f) In terms of the Scheme, 4,39,98,500 equity shares Rs.10 each (including 12,25,000 equity shares allotted on preferential basis to Citicorp Banking Corporation, Bahrain on 27th August, 2003) at par have been issued and allotted to the shareholders of erstwhile JISCO in the ratio of 1:1. These shareholders are not entitled to warrants referred in note 3 (i)(iv) below.
   g) Certain leasehold rights, buildings, licences, agreements, loan documents, etc., are in the process of being transferred in the name of the Company.
   h) In term of the Scheme, all employees in service of erstwhile JISCO have become employees of the Company without any break or interruption in service. All rights, duties, power and obligations of erstwhile JISCO in relation to Provident Fund, Gratuity Fund, etc. are in the process of being transferred in the name of the Company.
   i) In accordance with the Scheme and revised financial restructuring package (RRP) approved by Corporate Debt Restructuring Cell (CDR), the share capital of the Company has been reorganised as under:
      i) Existing equity share capital has been reduced by 40% and in lieu thereof 0.01% Cumulative Redeemable Preference Shares (CRPS) were to be issued and the same have been reconverted into one equity share at par for every four CRPS.
      ii) Debts of Rs. 456.88 crores have been converted into 45,68,82,257 equity shares of Rs.10 each at par. These shareholders are not entitled to warrants referred in note (iv) below.
      iii) The face value of the equity share has been reduced from Rs. 10 to Rs. 0.625 and the equity capital has been consolidated into 8,50,40,642 equity shares of Rs.10 each. After consolidation and issue of equity shares to shareholders of erstwhile JISCO (refer note 3(f) above) the paid up equity share capital of the company is Rs. 129.04 crores.
      iv) The Company has issued 1,15,27,653 warrants to the shareholders in the ratio of 1:112 and the holder of the warrant is entitled to be allotted 1 (one) equity share of Rs. 10 each of the Company per warrant upon payment of Rs. 160 per equity share (including premium of Rs. 150 per share) on or before 1st April, 2006.
      v) The credit of Rs. 1,662.94 crores arising out of Reorganisation of Capital as referred in note (i) and (iii) above, has been transferred to General Reserve.

4. Capital advances in note 5 below include Rs. 12.98 crores (previous year Rs. 18.33 crores) - net of provision of Rs. 86.63 crores (previous year Rs.86.63 crores) given to certain parties for capital assets being purchased under relevant contracts and have become long overdue. As per valuation report obtained from a reputed independent valuer, these capital assets, on acquisition and disposal thereof, are estimated to yield a net realisation equivalent to the outstanding capital advances. There is a reasonable certainty of parties discharging their contractual obligations and of acquiring the capital assets on its fair settlement.

5. Capital Work-in-Progress comprises:

	Rupees in crores	
	Current year	Previous year
Buildings, Plant & Machinery etc., (under erection)	**270.50**	26.31
Capital Advances (unsecured and considered good)	**70.05**	24.87
Pre-operative Expenses (pending allocation):		
Power and fuel	**0.04**	-
Finance Charges	**8.20**	-
Interest Income	**(0.08)**	-
Salaries, wages and bonus	**0.14**	-
Miscellaneous Expenses	**0.45**	-
	8.75	-
Total :	**349.30**	51.18

6. Loans and Advances in Schedule 10 include:
   a) Overdue advances of Rs.19.41 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. 4.72 crores, given by erstwhile JISCO in an earlier year, to a company which is long overdue. In view of adequate asset base and sound financials of the party, the management is confident of recovering the same in due course and hence, the amounts outstanding has been considered as good and recoverable.
   c) Advance of Rs. 13.80 crores, given by erstwhile JISCO in an earlier year, for acquisition of Vasind Division of Jindal Strips Ltd, since hived-off into a separate company viz. Jindal Steel & Alloys Ltd. (JSAL). The Company is exploring various alternatives such as purchase / lease of the said division to recover / settle the said advance.
   d) Advances towards Company's contribution for equity shares in Vijayanagar Minerals Private Ltd. (VMPL), Rs. 4.06 crores (previous year Rs. 4.06 crores)
   e) 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 31.03.2005	Maximum during the current period	As on 31.03.2005	Maximum during the current period
1) Gagan Trading Co.Ltd (Rent deposit)	64.00	64.00	3729694	3729694
2) JISCO Employees Welfare Trust	1.71	1.71	175370	175370
3) JVSL Employees Welfare Trust	2.29	2.29	156695	156695
4) Loans to Employees (in accordance with general policy of the Company)	0.58	0.96	34213	34213

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

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

8. 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.

9. There is a diminution of Rs.3.08 crores (previous year Rs.3.24 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 31.03.2004. 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.

10. In respect of benefit availed of Rs. 211.95 crores (previous year Rs. 662.30 crores) under EPCG Scheme, there is a pending export obligation which would be fulfilled in due course of time.

11. The exceptional item of the current year represents amount charged to the profit and loss account towards exercise of right of recompense by certain lenders as per CDR approved restructuring package and that of previous year represents waiver of dues on settlement with certain lenders.

12. 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).

13. Sales include export incentives of Rs. 323.19 crores (previous year Rs. 34.62 crores).

14. Exchange variations in respect of forward contracts to be recognised in Profit andLoss account of subsequent year; gain Rs. 0.06 crores (previous year gain Rs. 4.89 crores).

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	**2.34**	0.45
Perquisites	**0.61**	0.40
Contribution to Provident Fund	**0.28**	0.05
Commission	**6.81**	—
Total :	**10.04***	**0.90**

Note :

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

(ii) * Includes Rs. 1.86 crores paid to managerial personnel of erstwhile JISCO in their capacity as Managing / Whole-time Directors of that company.

(b) Computation of Net Profit in accordance with Section 349 read with Section 309(5) of the Companies Act, 1956 for calculation of Commission payable to Vice Chairman & Managing Director:

Rupees in crores

Profit Before Taxation	**1,472.61**
Add: Managerial Remuneration (including commission)	**8.19**
Wealth Tax	**0.52**
Loss on Sale of Fixed Assets	**0.43**
	1,481.75
Less : Provision for doubtful debts/advances	**0.10**
Profit on Sale of Fixed Assets	**1.15**
Net Profit as per Section 349 of the Companies Act, 1956	**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)	**1,361.50**
Commission to Vice Chairman & Managing Director:	
@ 0.5% of Net Profit as computed above	**6.81**

16. Remuneration to Auditors: **Rupees in crores**

	Current year	Previous year
Statutory Auditors:		
As Audit Fees	**0.27**	0.17
For Tax Audit Fees	**0.02**	0.02
For Other services	**0.23**	0.11
Out of Pocket Expenses (Including service tax)	**0.02**	0.03
Total:	**0.54**	**0.33**

In addition to the above, Rs. 0.03 crore was paid to the Joint Auditor and Rs. 0.01 crore to Branch Auditor of erstwhile JISCO.

17. Sundry creditors include amounts due to a small scale industrial undertakings - Rs. 0.24 crores (Previous year Rs. 0.68 crores).
Creditors include the following Small Scale / Ancillary Industrial Undertakings to whom amounts are due for more than 30 days: Castwel Industries, Radix Sensors Pvt. Ltd., Lead Edge Papers Pvt. Ltd., Brown Cor Pac Pvt. Ltd., Panchsheel Water Proof Industries. 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. Deferred tax asset/(Liability) comprises timing differences on account of:

Rupees in crores

	Current Year	Previous Year
Depreciation (Net)	**(376.87)**	150.31
Business Loss	**-**	108.30
Provision for doubtful debts/ capital advances	**32.10**	31.08
Expenses including Interest to Financial Institutions allowable on payment basis	**39.28**	4.31
Deferred Tax Asset / (Liability)	**(305.49)**	**294.00**

19. The computation of Earnings per Share:

		Current Year	**Previous Year**
Profit before Exceptional items (net of tax)	Rs. in crs	**872.08**	229.34
Less : Dividend on preference shares	Rs. in crs	**31.82**	22.16
Profit before Exceptional items (net of tax) for Equity share holders (Numerator)	Rs. in crs	**840.26**	207.18
Earning per share - before Exceptional items (net of Tax) (Basic)	Rs.	**65.12**	24.36
Earning per share - before Exceptional items (net of Tax) (Diluted)	Rs.	**59.78**	21.46
Profit after Exceptional items (net of tax)	Rs. in crs	**870.11**	528.68
Less : Dividend on preference shares	Rs. in crs	**31.82**	22.16
Profit after Exceptional items (net of tax) for Equity share holders (Numerator)	Rs. in crs	**838.56**	506.52
Earning per share - after Exceptional items (net of Tax) (Basic)	Rs.	**64.98**	59.56
Earning per share - after Exceptional item (net of Tax) (Diluted)	Rs.	**59.66**	52.45
Nominal value per share	Rs.	**10**	10
Weighted average number of equity shares for Basic EPS (denominator)	Nos.	**129039142**	85037069
Weighted average number of equity shares for Diluted EPS (denominator)	Nos.	**140566795**	96563836

Note : As required by para 44 of the Accounting Standard (AS) 20 "Earning per Share". Previous year's EPS have been recomputed on the basis of share capital re-organised in terms of the Scheme of Arrangement and Amalgamation.

20. Related parties Disclosure as per Accounting Standard (AS) 18:

Parties with whom the company has entered into transactions During the year.

1) **Associates**
Jindal Praxair Oxygen Company Pvt. Ltd. (JPOCL)
Jindal Thermal Power Company Ltd. (JTPCL)
Vijayanagar Minerals Pvt. Ltd.
Jindal Strips Ltd.
Jindal Stainless Ltd.
Jindal Steel & Alloys Ltd. (JSAL)
Jindal Saw Ltd.
Jindal Steel and Power Ltd.(JSPL)
Southern Iron & Steel Company Ltd. (SISCOL)
South West Port Ltd.

2) **Key Management Personnel**
Mr. Sajjan Jindal
Dr. B.N.Singh
Mr. Raman Madhok
Mr. Seshagiri Rao M.V.S

b) **Related Party Transactions:**

Rupees in crores

Nature of transaction	**Associates**	**Key Management Personnel**	**Total**
Transactions during the year :			
Purchases of Goods/Power & Fuel	617.29 (547.38)		617.29 (547.38)
Sales of Goods/Power & Fuel	368.39 (1572.93)		368.39 (1572.93)
Purchase of assets	29.06 (0.30)		29.06 (0.30)
Deposit received against leased assets	0.00 (1.50)		0.00 (1.50)
Rendering of services	@ (0.07)		@ (0.07)
Receiving of services	36.15 (0.64)	10.04 (0.90)	46.19 (1.54)
Purchase of Equity/Preference Shares	0.00 (7.34)		0.00 (7.34)
Advance received	0.00 (73.82)		0.00 (73.82)
Writing back of provision of advances/ doubtful debts during the year	0.00 (0.88)		0.00 (0.88)
Payable:			
Trade payables	52.07 (197.30)		52.07 (197.30)
Lease deposit	10.32 (10.32)		10.32 (10.32)
Receivable:			
Trade receivables	51.20 (358.59)		51.20 (358.59)
Advance for Equity	4.06 (4.06)		4.06 (4.06)
Other advances	0.00 (0.25)		0.00 (0.25)
Investments made	224.69 (224.69)		224.69 (224.69)
Guarantees and collaterals provided by the Company	184.02 (184.02)		184.02 (184.02)
Guarantees and Collaterals provided on Company's behalf	0.00 (139.86)		0.00 (139.86)

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

Rupees in crores

Nature of transaction	**Associates**				
	SISCOL	**JTPCL**	**JPOCL**	**JSPL**	**JSAL**
Purchase of Goods/Power & Fuel	–	180.69 (181.59)	315.93 (320.88)	–	79.09 (0.14)
Sales of Goods/Power & Fuel	–	241.48 (246.33)		–	79.18 (87.92)
Purchase of assets	18.07 (0.00)	–	–	10.14 (0.30)	–
Purchase of Preference Shares	–	– (7.34)	0.00	–	–

Note :

i. @ Rs.11262

ii. Figures in brackets relates to previous year.

iii. No amounts in respect of related parties have been written off/written back during the year.

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

21. During the year, the Company has (a) taken, under operation and maintenance agreement, an additional production capacity of Hotmetal, an intermediary product, of 0.90 MTPA of "Blast Furnace" from Euro Ikon Iron & Steel Private Limited. With this, the capacity of Hotmetal has increased to 2.50 MTPA, (b) entered into an agreement with Euro Coke and Energy Company Private Ltd., (ECECPL) to operate and maintain coke oven plant with a capacity of 0.62 MTPA setup by ECECPL.

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 *(1600000)*	1783131 *(1573484)*
2 Galvanized Coils/Sheets	N.A.	900000 (-)	688117 (-)
3 Cold Rolled Coils/Sheets	N.A.	1000000 (-)	717383 (-)
4 Hot Rolled Steel Plates	N.A.	280000 (-)	21066 (-)

Notes:

a. Installed capacity of Slag grinding Unit - 200000 tonnes, Production 147842 tonnes (previous year 32184 tonnes); Turnover 105892 tonnes, Rs. 17.94 crores (previous year 30569 tonnes, Rs. 5.91 crores); Self consumption 40405 tonnes, Rs. 5.5 crores (previous year Nil); Opening Stock 1615 tonnes, Rs. 0.28 crores (previous year Nil); Closing stock 3157 tonnes, Rs. 0.42 crores (Previous year 1615 tonnes, Rs. 0.28 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 in Crores	Tonnes	Rupees in Crores	Tonnes	Rupees in Crores
1 Hot Rolled Coils/ Steel Plates/Sheets	1048620 *(1576222)*	3078.62 *(2917.00)*	20165 *(31574)*	39.51 *(44.20)*	31574 *(1606)*	44.20 *(23.30)*
2 Galvanized Coils/ Sheets	682725 (-)	2682.40 (-)	16045 *(15937)*	41.86 *(32.25)*	15937 (-)	32.25 (-)
3 Cold Rolled Coils/ Sheets	50048 (-)	154.64 (-)	4023 *(6466)*	8.56 *(10.19)*	6466 (-)	10.19 (-)
4 Hot Rolled Steel Plates	18936 (-)	54.83 (-)	2117 (-)	4.83 (-)	- (-)	- (-)
5 Others		1065.41 *(673.49)*		11.78 *(6.82)*		6.82 (-)
Total		7035.90 *(3590.49)*		106.54* *(93.46)*		93.46 * *(23.30)*

* Includes Rs. 76.33 Crores taken over from erstwhile JISCO as per Scheme of Arrangement and Amalgamation.

C. CONSUMPTION OF MATERIALS

Description	Current year		Previous year	
	Quantity tonnes	Rupees in Crores	Quantity tonnes	Rupees in Crores
Iron ore lumps/fines	**4430132**	**261.06**	3872422	147.03
Scrap	**88762**	**134.59**	128608	136.20
Coal/Coke	**2844413**	**1891.70**	2360781	916.64
Hot Rolled Coils	**19037**	**65.44**	-	-
M S Slabs	**13773**	**29.57**	-	-
Cold Rolled Coils	**7055**	**20.56**	-	-
Zinc & Alloys	**33542**	**204.27**	-	-
Others		**306.28**		201.83
Total :		**2913.47**		**1401.70**
Less : Self consumption		**25.50**		5.82
Total :		**2887.97**		**1395.88**

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 *	**2043.00**	**70.74**	1050.75	75.28
Indigenous	**844.97**	**29.26**	345.13	24.72
Total:	**2887.97**	**100.00**	**1395.88**	**100.00**
STORES AND SPARES				
Imported	**67.49**	**23.85**	30.14	18.10
Indigenous	**215.49**	**76.15**	136.35	81.90
Total	**282.98**	**100.00**	**166.49**	**100.00**

*Includes Rs. 256.55 crores (previous year Rs. 56.04 crores) indigenously procured.

E. C.I.F. VALUE OF IMPORTS:

Rupees in crores

Description	Current year	Previous year
- Capital Goods	**70.59**	5.11
- Raw Materials	**1864.70**	777.88
- Stores & Spare Parts & Production Consumables	**49.74**	28.96

F. EXPENDITURE IN FOREIGN CURRENCY:

Rupees in crores

Description	Current year	Previous year
Interest and Finance charges	**26.38**	44.69
Technical know-how	**19.44**	0.15
Brokerage and Commission on export sales	**45.64**	5.94
Others	92.47	1.75

G. EARNINGS IN FOREIGN CURRENCY:

Rupees in crores

Description	Current year	Previous year
F.O.B. Value of Exports	**2873.16**	137.31

H. REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND:

Description	Current year	Previous year
Year to which the Dividend relates	**2004-05**	N.A.
Number of Non-resident Shareholders	**16086**	N.A.
Number of Equity shares held by them	**8122500**	N.A.
Amount remitted (Rs. in crs)	**1.85**	Nil

23. Previous year's figures have been regrouped /rearranged wherever necessary to conform with current year's presentation. Current year's figures include the figures of steel business of erstwhile JISCO and hence, not strictly comparable with that of previous year.

Signature to Schedules 1 to 19

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S — Director (Finance)
RAMAN MADHOK — Jt. Managing Director & CEO
DR. B.N. SINGH — Jt. Managing Director & CEO

LANCY VARGHESE
Asst. Company Secretary

Place : Mumbai
Date : 18th April,2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration No. 15365**	**State Code 08**
	Balance Sheet Date 31-3-2005	
II.	**Capital raised during the year (Amount Rs. in thousands) :**	
	Public Issue (Issue through Prospectus)	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	456882
III.	**Position of Mobilization and Deployment of Funds (Amount Rs. in thousands) :**	
	Total Liabilities	88998754
	Total Assets	88998754
	Sources of Funds	
	Paid up Capital	4691321
	Reserves and Surplus	26805914
	Secured Loans	35684337
	Unsecured Loans	Nil
	Long Term Advance from Customer	2679688
	Net Deferred Tax Liability	3054871
	Application of Funds	
	Net Fixed Assets	64256893
	Investments	2295715
	Net Current Assets	2857430
	Misc. Expenditure	3506193
	Accumulated Losses	Nil
IV.	**Performance of the Company (Amount Rs. in thousands) :**	
	Turnover	70359047
	Total Expenditure	55632946
	Profit /(Loss) before Tax	14726101
	Profit / (Loss) after Tax	8701066
	Earning per share in Rs. (Basic)	64.98
	Earning per share in Rs. (Diluted)	59.66
	Dividend %	80
V.	**Generic Names of Three Principal Products/ Services of the 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 Coils/Sheet

For and on behalf of the Board of Directors

SAJJAN JINDAL
Vice Chairman & Managing Director

SESHAGIRI RAO M.V.S — Director (Finance)
RAMAN MADHOK — Jt. Managing Director & CEO
DR. B.N. SINGH — Jt. Managing Director & CEO

LANCY VARGHESE
Asst. Company Secretary

Place : Mumbai
Date : 18th April, 2005

JINDAL VIJAYANAGAR STEEL LIMITED

Regd. Office : Jindal Mansion, 5A, G.Deshmukh Marg, Mumbai 400 026.

Regd. Folio No.....................................

ATTENDANCE SLIP

** Client I.D...........................

** D.P. I.D..............................

11th Annual General Meeting - 13th June, 2005

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the **Eleventh Annual General Meeting** of the Company held on Monday, 13th June, 2005 at 3.00 p.m.at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

____ ____

* Member's / Proxy's Name in Block Letters   * Member's/Proxy's Signature

Note :

1. Member/Proxy must bring the Attendance Slip to the Meeting and hand it over, duly signed, at the registration counter.
2. The Copy of the Notice may please be brought to the Meeting Hall.
3. **NO GIFTS WILL BE GIVEN.**

*** Strike out whichever is not applicable.**

Tear Here

JINDAL VIJAYANAGAR STEEL LIMITED

Regd. Office : Jindal Mansion, 5A, G.Deshmukh Marg, Mumbai 400 026.

Regd. Folio No.....................................

PROXY FORM

** Client I.D...........................

11th Annual General Meeting - 13th June, 2005

** D.P. I.D..............................

I/We ....

of ....

being a member/members of Jindal Vijayanagar Steel Limited, hereby appoint ....

.... of ....

or failing him/her ....

of ....

as my/our Proxy to attend and vote for me/us on my/our behalf at the **Eleventh Annual General Meeting** of the Company to be held on Monday, 13th June, 2005 at 3.00 p.m at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020, and at any adjournment thereof.

Signed this .... day of ....2005.

Note :-

1. Proxy need not be a member.
2. Proxy form, complete in all respects, should reach the Company's Registered Office at Jindal Mansion, 5A, G.Deshmukh Marg, Mumbai 400 026, not less than 48 hours before the scheduled time of the meeting.

** Applicable only in case of investors holding shares in Electronic form.

Signature ________________ Affix Revenue Stamp ________

BOOK-POST

If undelivered, please return to:

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51/2, T.K.N. Complex
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Bangalore – 560 004.