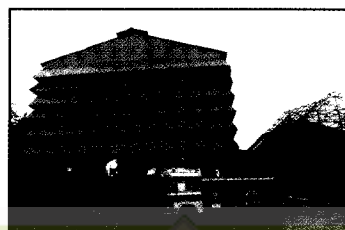


Jai Balaji Sponge Limited

Steel in our strategy





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Notice to the Shareholders

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of Jai Balaji Sponge Limited will be held on Wednesday, the 28th September, 2005 at 11:00 A.M. at Rotary Sadan (Shripati Singhania Hall), 94/2 Chowringhee Road, Kolkata - 700 020 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 Reports of the Directors and Auditors' thereon.
2. To declare dividend on Equity Shares for the financial year 2004-05.
3. To appoint a Director in place of Shri Aditya Jajodia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Mahesh Keyal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Rashmi & Co., Chartered Accountants as Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of revised clause 49 (1)(B) of the Listing Agreement with the Stock Exchanges, read with applicable provisions of the Companies Act, 1956 or any amendment thereof and in compliance with other applicable laws, rules and regulations, if any, the Company hereby accords its approval to the payment of sitting fees to its Directors for attending meetings of the Board or any Committees thereof, as may be determined from time to time by the Board over and above the re-imbursement of actual traveling and other expenses but not exceeding such sum as may from time to time be prescribed by or under the Companies Act, 1956 and the Rules prescribed thereunder or any amendment(s) thereof."

Registered Office :
5, Bentinck street
Kolkata-700 001
Dated : 29th August, 2005

By Order of the Board
For JAI BALAJI SPONGE LIMITED
Ajay Kumar Tantia
Company Secretary

Notes:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item no. 4 of the Notice set out above, is annexed hereto.
2. 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 the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company duly completed not less than 48 hours before the commencement of the meeting.
3. Members are requested to bring their copy of Annual Report to the Meeting.
4. The Registers of Members and the Share Transfer Books of the Company will remain closed from 24th September, 2005 to 28th September, 2005 (both days inclusive).

5. The dividend on equity shares as recommended by the Board of Directors for the year ended on 31st March, 2005, if approved at the Meeting, will be paid:
 - i) In respect of shares held in physical form, to those members whose names appear in the Register of Members at the close of working hours of the Company on Friday, 23rd September, 2005.
 - ii) In respect of shares held in electronic form, to those members whose names shall appear as beneficial owners as at the end of business hours on Friday, 23rd September, 2005 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).
6. Members desirous of obtaining any information concerning the accounts of the Company are requested to send their queries to the Company at least seven days before the meeting so that the information required by the members may be made available at the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on all working days (except Saturdays, Sundays and holidays) between 10.00 a.m. to 1.00 p.m. up to the date of the Meeting.
8. To avoid the incidence of fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate the Company under the signature of the Sole/First Joint holder, the following information, so that the bank account number and name and address of the Bank can be printed on the Dividend Warrant:
 - i) Name of Sole/First joint holder and the Folio Number
 - ii) Particulars of the Bank Account, viz
 - a) Name of the Bank
 - b) Name of Branch
 - c) Complete address of the Bank with Pin Code Number
 - d) Account type, whether Savings (SB) or Current Account (CA)
 - e) Bank Account Number
9. Members holding shares in the dematerialized form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL, will be printed on the dividend warrants. Members are requested to inform their Depository Participants of any change in address, bank account details etc.
10. Members holding shares in physical form can avail of the nomination facility by filing Form 2B, as prescribed by the Government, with the Company or its Registrar & Share Transfer Agents which will be made available on request and in case of shares held in demat form, the nomination has to be lodged with their Depository Participant.
11. Members / Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed for admission to the meeting hall.
12. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the brief profile of the Directors seeking re-appointment at the Annual General Meeting is annexed to this Notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956,**ITEM No. 4**

In terms of amended provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, as notified by SEBI vide Circular Nos. SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004 and SEBI / CFD/ DIL/ CG/1/ 2005 /29/ 3 dated March 29, 2005 and compulsorily coming into effect on & from 31st December, 2005, requires that all fees / compensation, if any, paid to Non-Executive Directors, including Independent Directors shall be fixed by the Board of Directors and shall require the prior approval of the members in the General Meeting. The resolution is accordingly placed before the members in the General Meeting for their approval.

The Directors recommend the resolution for members' approval. All the Directors are interested or concerned in the resolution to the extent of sitting fees and reimbursement of incidental expenses that may be paid to them.

Registered Office :
5, Bentinck street
Kolkata – 700 001
Dated : 29th August, 2005

By Order of the Board
For **JAI BALAJI SPONGE LIMITED**
Ajay Kumar Tantia
Company Secretary

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BRIEF PROFILE OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

As required under the Listing Agreement, the particulars of Directors proposed to be reappointed / appointed is given below:

1. Shri Aditya Jajodia, aged 35 years is a commerce graduate. He is a dynamic young entrepreneur and is engaged in steel business for the past 13 years. He is looking after the financial and strategic aspects of the Company and is spearheading the entire growth plans of the Group.

Directorship held in other companies : Shri Ramrupai Balaji Steels Limited
Chandi Steel Industries Limited
Enfield suppliers Limited
Jai Balaji Jyoti Steels Limited
Shri Sumangalaya Balaji Steels Limited
Jai Balaji Jyoti Powertech Pvt. Limited
Shri Sarvasarai Balaji Steel Limited
Shri Marutaye Balaji Steels Limited
Jai Salasaa Balaji Industries Pvt. Ltd.

2. Shri Mahesh Keyal aged 32 years is a commerce graduate. He is a dynamic young entrepreneur and is engaged in steel business for the past 10 years.

Directorship held in other companies : Reckon Mercantiles Pvt. Ltd.

Directors' Report to the Members

Yours Directors have pleasure in presenting the Fifth Annual Report on the business and operations of your Company and its audited financial results for the year ended 31st March, 2005.

Financial Results		(Rs. in lacs)
Particulars	2004-05	2003-04
Net Sales and Other Income	27571.31	12492.34
Less: Total Expenditure	25625.54	10908.21
Profit before Interest, Depreciation and Tax	1945.77	1584.13
Less : Interest	435.27	377.81
Profit before Depreciation and Tax	1510.50	1206.32
Less : Depreciation	228.11	151.85
Profit before Tax	1282.39	1054.47
Less : Current Taxation	104.30	74.84
Deferred Taxation	313.63	277.65
Profit after Tax (PAT)	864.46	701.98
Less : Income Tax for earlier years	2.99	1.39
Education Cess on Dividend Tax	0.64	--
Profit Transferred to Profit and Loss Account	860.83	700.59
Add : Balance brought forward from previous years	1009.21	592.08
Profit available for appropriation	1870.04	1292.67
Less : Proposed Dividend (including tax)	340.93	283.46
Accumulated Profit Carried Forward	1529.11	1009.21

Financial Condition and Results of Operation

Your Company recorded an impressive performance during the year under review across various operational parameters. Your Company earned revenues, comprising of sales and other income of Rs. 27571.31 lacs which is higher by about 120.70 % over the revenues of Rs. 12492.34 lacs earned in the previous year. Profit before Tax has improved to Rs. 1282.39 lacs as against Rs. 1054.47 lacs in the previous year. Profit after Tax is Rs. 864.46 lacs as compared to 701.98 lacs in the previous year.

Dividend

Your Directors are pleased to recommend a dividend of 12% on equity shares (Rs. 1.20 per equity share) for the financial year ended 31st March, 2005, subject to approval of the shareholders at the ensuing Annual General Meeting. The total outgo on account of dividend will be Rs. 340.93 lacs (including dividend tax of Rs. 39.41 lacs).

Business Review and Outlook

Your Company has performed exceedingly well. Your Company's good operational and strong market performance

during the past year have significantly improved its liquidity position. The Company has been investing surplus internal accruals towards ongoing capital projects. The power plant and ferro alloys projects are in advanced stages of completion and is expected to start within this year itself.

During the year 2003-04, your Company has raised Rs. 10 crores through IPO route. The entire funds received has been utilised for the purpose for which it was raised.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Particulars with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

Corporate Governance

The Company has been proactive in following the principles and practices of good Corporate Governance. A detailed

report on Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, along with the auditor's certificate on compliance of conditions of Corporate Governance, is annexed to this report.

Management's Discussion and Analysis

The Report on Management's Discussion and Analysis for the year under review is attached to this Report.

Safety, Health and Environment Protection

The Company has in place a system for controlling and monitoring pollution and maintaining ecological balance in and around the works by complying with environmental standards and legislation. Health and safety are also Company's focus areas. The Company has taken initiative on safety awareness and provided health care to the employees.

Directors Responsibility Statement

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors confirm that :

- i) in the preparation of annual accounts, the applicable accounting standards have been followed;
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the statement of affairs of the Company as at 31st March, 2005 and of the profit of the Company for the year ended on that date;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

Auditors

M/s. Rashmi & Co., Chartered Accountants, Kolkata will retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

They have furnished to the Company a Certificate in accordance with subsection (1B) of Section 224 of the Companies Act, 1956, regarding their eligibility for re-appointment. Your Directors recommend the re-appointment of M/s. Rashmi & Co. as Statutory Auditors of the Company for the financial year 2005-06.

Directors

In accordance with the Articles of Association of the Company Shri Aditya Jajodia and Shri Mahesh Keyal are the Directors of the Company liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

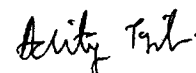
Particulars of Employees

The Company has no employee getting remuneration as prescribed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 during the year under review.

Acknowledgement

Your Directors take this opportunity to thank all investors, financial institutions / banks, regulatory and government authorities, customers, suppliers and all other business associates for their continued support during the year under review. Your Directors also wish to place on record their deep appreciation for the dedicated services rendered by the employees of the Company at all levels, who, through their competence, hard work, co-operation and support have enabled the Company to achieve consistent growth.

On behalf of the Board of Directors



Aditya Jajodia
Director

Place : Kolkata

Date : 29th August, 2005

Annexure to the Directors' Report

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2005:

A. Conservation of energy:

(a) Energy conservation measures taken:

The Company is giving its continuous attention towards conservation of energy which is characterised by optimal utilisation and monitoring of energy at plant level. Electrical energy efficient motors are installed for prevention of wastage of energy and energy savers for lighting and capacitors.

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

The Company is in an advanced stage of setting up a Captive Power Plant to economise power cost.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The proposals stated above shall result in reduction of the cost incurred towards Power and Fuel which will reduce the cost of production of goods.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure is annexed.

B. Technology absorption :

(a) The details of efforts made towards absorption of technology is given separately in this report in Form B.

C. Foreign exchange earnings and outgo :

(a) Activities relating to exports, initiatives taken to exports, development of new export markets for products and services and export plans:- NIL

(b) Total Foreign Exchange used and earned :

(Rs. in Lacs)

	2004-05	2003-04
i) Expenditure in foreign currency	225.28	39.65
ii) Earning in foreign currency	NIL	NIL

Annexure

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy.**A. Power and fuel consumption :**

Particulars	Unit	2004-2005	2003-2004
Electricity			
Units Purchased	KWH	86675480	79206150
Total amount	Rupees	196933785	161048646
Rate / Unit	Rupees	2.27	2.03

B. Electricity Consumption per unit (MT) of production:

Particulars	Unit	2004-05	2003-04
Sponge Iron	KWH	104	183
Steel Ingots	KWH	1510	1638

FORM B

Form for Disclosure of Particulars with respect to Technology Absorption.**Research and Development (R & D)****1. Specific areas in which R & D carried out by the Company:-**

Improvement in the process and system, reduction of wastage and improvement in energy conservation.

2. Benefits derived as results of the above R & D:-

It has resulted in better utilisation of resources and reduction in operating cost.

3. Future Plan of action:-

Emphasis on cost reduction, product development, product quality and energy conservation.

4. Expenditure on R & D:-

In view of the established accounting practice the cost associated with the Research and Development has been merged with the respective account head and not segregated.

Technology absorption, adaptation and innovation :

- a) Efforts, in brief, made towards technology absorption, adaption and innovation.

The Company continued its research in areas of raw materials, energy conservation and waste utilization.

- b) Benefits derived as a result of the above efforts.

Due to above efforts there was better and easier availability of materials, improved productivity and quality and saving in process cost.

- c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished :

- (i) Technology imported : Nil
- (ii) Year of import : Not applicable
- (iii) Has technology been fully absorbed? : Not applicable
- (iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action : Not applicable

Corporate Governance Report

1. Philosophy of the Company

The Company has been proactive in following the principles and practices of good Corporate Governance for ensuring protection of the rights and interest of its shareholders. The Company believes that all its operations and actions must serve the underlying goal of enhancing shareholder value over a sustained period of time. The Company is committed to transparency in all its dealings and places emphasis on business ethics.

2. Board of Directors

The Board of Directors of the Company comprises of six Directors of which three Directors are Non-executives and independent. The Chairman of the Board is an Executive Director.

During the financial year 2004-05, the Company has held 13 Board Meetings. The dates of the 13 Board Meetings are as follows:

20.04.04, 26.05.04, 28.06.04, 28.07.04, 02.09.04, 10.09.04, 23.09.04, 18.10.04, 30.10.04, 14.12.04, 18.02.05, 05.03.05 and 28.03.05.

The composition of Board of Directors and their attendance at the Board Meetings during the year and at the Annual General Meeting and the number of other Directorship and Board Committee Membership/Chairmanship are as follows:

Name of the Director	Category	Attendance Particulars		Number of other Directorship and Committee Membership / Chairmanship		
		Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Shri Sanjiv Jajodia	Promoter Whole time Director	13	Yes	6	1	—
Shri Rajiv Jajodia	Promoter Non-Executive Director	12	Yes	9	1	1
Shri Aditya Jajodia	Promoter Non-Executive Director	13	Yes	9	1	—
Shri Ashok Kumar	Independent Non-Executive Director	10	Yes	4	2	—
Shri Mahesh Keyal	Independent Non-Executive Director	12	Yes	1	—	—
Shri D. R. Patnaik	Independent Non-Executive Director	9	Yes	3	2	—

3. Audit Committee

The Company has an Audit Committee comprising of three non-executive and independent Directors. The terms of reference of the Committee are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are as follows:-

- Reviewing of unaudited quarterly, half-yearly and annual accounts of the Company.
- Recommending the appointment and removal of statutory auditor and fixation of their remuneration.
- Reviewing annual financial statements and adequacy of internal control systems.
- Reviewing the Company's financial and risk management policies.

The Committee met four times during the financial year 2004-05 on 28.06.04, 28.07.04, 30.10.04 and 18.02.05

The Composition of the Audit Committee as on 31st March, 2005 are as follows:-

Name of Members	Designation	No. of Meetings attended
Shri Ashok Kumar	Chairman	4
Shri Mahesh Keyal	Member	4
Shri D. R. Patnaik	Member	4