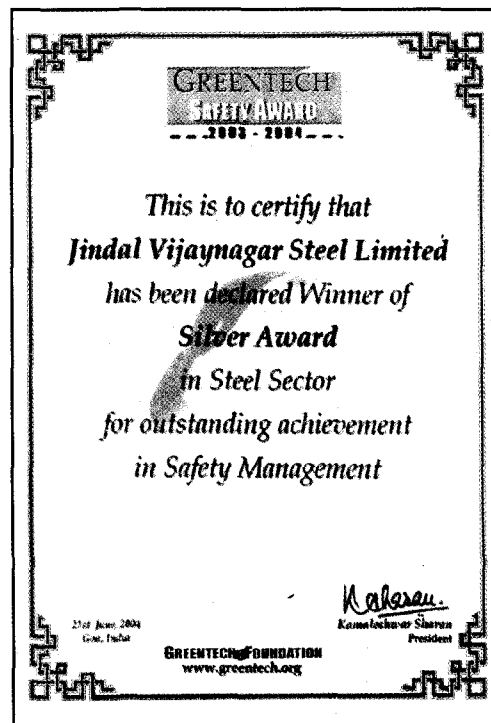




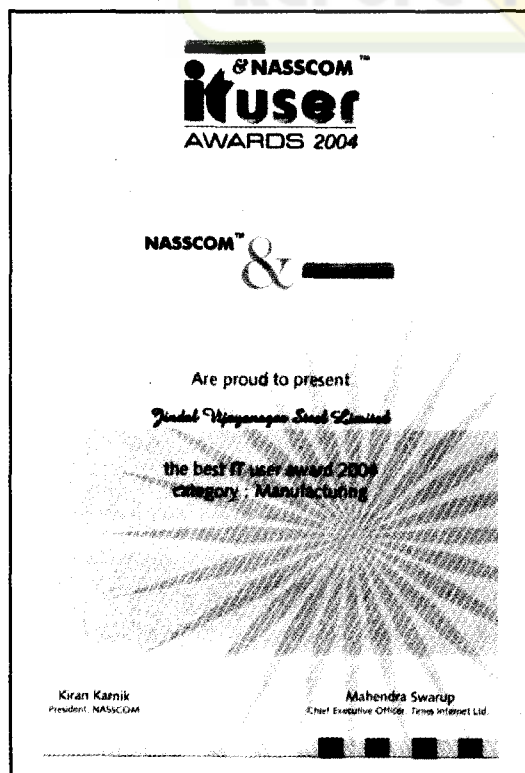
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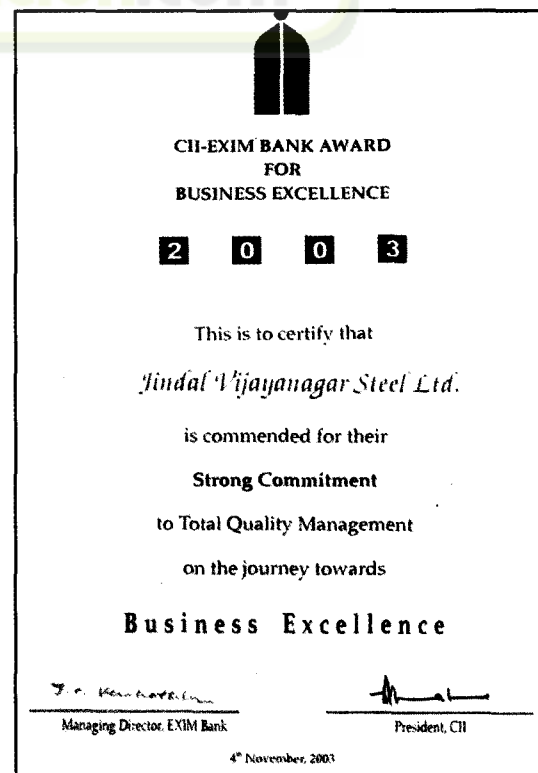
10th ANNUAL REPORT 2003-2004



Outstanding Environment Management
Green Tech Foundation



Best IT User
'NASSCOM-Economic Times'



Commitment to Total Quality Management
CII-EXIM BANK

JINDAL VIJAYANAGAR STEEL LIMITED

10th Annual Report 2003-2004

BOARD OF DIRECTORS**Mr. P.R.JINDAL**

Chairman

Mr. SAJJAN JINDAL

Managing Director

Dr. B.N.SINGH

Jt. Managing Director & CEO

Mr. SESHAGIRI RAO M.V.S

Director (Finance)

Dr. S.K.GUPTA

Director

Mr. BALAJI SWAMINATHAN

Nominee Director of ICICI Bank Ltd.

Mr. R.N.ROY

Nominee Director of IDBI

Mr. N.GOKULRAM, IAS

Nominee Director of KSIIDC

Mr. S. DAVID**CHANDRASEKARAN**

Nominee Director of LIC of India

Mr. R.P.SINGH

Nominee Director of IFCI Ltd.

Dr. RAMASWAMY P. AIYAR

Director

COMPANY SECRETARY

Mr. R.P.Raichur

STATUTORY AUDITORS

M/s. Lodha & Company

6, Karim Chambers,

40A, Doshi Marg (Hamam Street),

Mumbai - 400 023.

CONCURRENT AUDITORS

S. R. Batliboi & Company

Chartered Accountants

22 Camac Street,

Block 'C' 3rd Floor,

Kolkata- 700 106

BANKERS

Allahabad Bank

ICICI Bank Limited

Punjab National Bank

State Bank of India

State Bank of Indore

State Bank of Mysore

Vijaya Bank

REGISTERED OFFICE & WORKS

P.O. Toranagallu, Sandur Taluk,

Bellary Dist., Karnataka - 583 123.

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.

TKN Complex, 51/2, Vani Vilas Road,

Opp. National College,

Basavanagudi, Bangalore - 560 004.

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JINDAL VIJAYANAGAR STEEL LIMITED

10th Annual Report 2003-2004

NOTICE

NOTICE is hereby given that the **TENTH ANNUAL GENERAL MEETING** of the Shareholders of **JINDAL VIJAYANAGAR STEEL LIMITED** will be held on **Thursday, the 30th day of December, 2004 at 12.00 noon** at the Registered Office of the Company at Village & P.O. Toranagallu, Sandur Taluk, Bellary District, Karnataka - 583 123 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, 2004 and the Balance Sheet as at that date, together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. P.R.Jindal who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. Ramaswamy P. Aiyar who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. N.Gokulram, IAS, who was appointed as an Additional Director of the Company 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. N. Gokulram, IAS, 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 by rotation".

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

"RESOLVED THAT Dr. B.N. Singh, who was appointed as an Additional Director of the Company 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. B.N. Singh 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 by rotation."

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special 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 and subject to the approval of the Central Government, the Company hereby approves the appointment of Dr. B.N.Singh as the Joint Managing Director & CEO of the Company for a period of five years with effect from 13.10.2003 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. or the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments thereto, whichever is lower, as may be agreed to between the Board of Directors and Dr. B.N.Singh."

8. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special 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 and subject to the approval of the Central Government, the Company hereby approves the reappointment of Mr.Seshagiri Rao M.V.S. as the Director (Finance) of the Company for a period of five years with effect from 06.04.2004 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.4,00,000/- p.m. or the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments thereto, whichever is lower, as may be agreed to between the Board of Directors and Mr. Seshagiri Rao M.V.S."

9. 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.5,00,00,000/- (Rupees 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."

By Order of the Board
For JINDAL VIJAYANAGAR STEEL LIMITED

Place : Mumbai
Date : 26th October, 2004

R.P.Raichur
Company Secretary

NOTES :

- a] 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.
- b] The instrument(s) appointing the proxy, if any, shall be delivered at the Regd. Office of the Company at Toranagallu, Bellary District - 583 123, Karnataka, 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.
- c] The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the businesses under items 5 to 9 set out above is annexed hereto.
- d] The Register of Members and Share Transfer Books of the Company will remain closed from 25.11.2004 to 26.11.2004 (both days inclusive).
- e] Shareholders are requested to note that owing to the decision of Karvy Consultants Limited, to have off its Registry business to another entity i.e., Karvy Computershare Private Limited (formerly Karvy Securities Registry Private Limited) the existing MOU executed between the Company and Karvy Consultants Limited has been transferred to Karvy Computershare Private Limited w.e.f. 01.04.2004. Pursuant to the said transfer Karvy Computershare Private Limited, TKN Complex, 51/2, Vani Vilas Road, Opp. National College, Basavanagudi, Bangalore - 560 004 are the Company's Registrars & Share Transfer Agents.
- f] Members are requested to intimate the Registrars and Share Transfer Agents of the Company - Karvy Computershare Private Limited, 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.
- g] Members desirous of having any information regarding Accounts are requested to address their queries to the Vice President (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.
- h] 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 Registrars and Share Transfer Agents of the Company.
- i] Members/Proxies are requested to bring the attendance slip duly filled in.
- j] 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 5 to 9 of the accompanying notice is as under :

Item No. 5:

Mr. N. Gokulram, IAS, was appointed by the Board of Directors in their meeting held on 27.07.2004 as an Additional Director of your Company w.e.f. 13.07.2004 pursuant to Section 260 of the Companies Act, 1956 and he holds office upto the date of the ensuing Annual General Meeting. As per Article 119 (a) of the Articles of Association of the Company, KSIIDC is entitled to appoint two Directors, one of whom shall be a retiring Director, as its nominees on the Board as long as KSIIDC continues to hold 11% or Rs. 50 crores in the Equity share capital of your Company, whichever is less. Your Company has received a notice under section 257 of the Companies Act, 1956, from KSIIDC proposing the appointment of Mr. N.Gokulram, IAS as Director.

Mr. N. Gokulram, IAS, is the Principal Secretary, Commerce & Industries Department, Government of Karnataka. A senior and extremely seasoned bureaucrat, Mr.Gokulram belongs to the 1974 batch of IAS officers. He holds a Masters Degree in Science and has served Karnataka in various capacities including Principal Secretary, Forest, Ecology & Environment Department, Govt. of Karnataka.

In view of his rich & vast experience and distinguished career, the appointment of Mr. N.Gokulram, IAS as Director would be in the best interest of your Company.

None of the Directors other than Mr. N.Gokulram, IAS is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 6 & 7:

Dr. B.N. Singh was appointed as an Additional Director in terms of Article 123 of the Articles of Association of your Company, in the Board meeting held on 22nd October 2003. In the same Board Meeting he was also appointed as the Joint Managing Director & CEO of your Company.

Dr. B.N. Singh, aged 56 years, holds a BSc in Metallurgy from BIT Sindri, Ranchi University, M.Tech in Metallurgy from IIT Kanpur, MBA from XLRI and Doctorate in Metallurgy from Ranchi University. He was formerly Director General of LNM Group's Algeria Plant. Dr. Singh is credited with the turnaround of the ailing Rashtriya Ispat Nigam Limited, 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 Limited. His stint of nearly 17 years with TISCO before joining SAIL gave him an opportunity to work in Research and Marketing.

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.B.N.Singh for appointment as Director of your Company.

Members' approval is also sought for the appointment of Dr. B.N.Singh as Joint Managing Director & CEO for a period of five years with effect from 13.10.2003 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 Joint Managing Director & CEO will be fixed by the Board of Directors in such a manner that the Salary and the aggregate value of all the perquisites and allowances like furnished accommodation or HRA in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, project allowance/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 Dr. B.N. Singh shall not exceed the maximum remuneration approved by the members in general meeting.

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:

- 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;
- Gratuity as per rules of the Company (which shall not exceed one half month's salary for each completed year of service); and
- 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. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

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.

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 Dr.B.N.Singh 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 Dr. B.N. Singh has the approval of the Remuneration Committee. The remuneration payable to Dr. B.N.Singh is subject to the approval of the Central Government as per the amended provisions of Schedule XIII of the Companies Act, 1956.

The above details may also be treated as an abstract of the terms of appointment of Dr. B.N.Singh under section 302 of the Companies Act, 1956.

The statement required to be given under Part II Section II (B) (iv) of Schedule XIII of the Companies Act, 1956, is enclosed.

A copy of the agreement executed by Dr. B.N.Singh 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.

Dr. B.N. Singh brings rich and varied experience spanning a period of over 3 decades that would enable him to effectively manage the affairs of your Company. His appointment as Joint Managing Director & CEO would be in the best interest of your Company.

None of the Directors other than Dr. B.N.Singh is concerned or interested in the resolutions.

Your Directors recommend the resolutions as at item Nos.6 & 7 for your approval.

Item No. 8:

The members of the Company had in their 5th Annual General Meeting held on 28th September, 1999 approved the appointment of Mr. Seshagiri Rao M.V.S as Director (Finance) of the Company for a period of five years commencing from 6th April, 1999. The term of Mr. Seshagiri Rao expired on 5th April 2004. Your Directors have in their meeting held on 20th January 2004 reappointed Mr. Seshagiri Rao M.V.S as Director (Finance) w.e.f. 6th April 2004 on the terms and conditions contained in the Agreement executed with Mr. Rao.

Mr. Seshagiri Rao, M.V.S, aged 46 years, is a member of the Institute of Cost and Works Accountants of India and a Licentiate member of the Institute of Company Secretaries of India. He is also a Certified Associate of Indian Institute of Bankers and a Diploma holder in Business Finance awarded by the Institute of Chartered Financial Analysts of India. Mr. Rao joined the Company as Chief Financial Officer and became Director (Finance) in the year 1999 and has over the years grown with the Company progressively shouldering higher responsibilities. He possesses rich experience spanning over two decades in the areas of Corporate Finance, Banking and has held key positions in large Corporate houses in India.

Members' approval is sought for the said reappointment of Mr. Seshagiri Rao M.V.S as Director (Finance) for a further period of five years with effect from 6th April 2004 and for 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 Director (Finance) will be fixed by the Board of Directors from time to time in such a manner that the salary and the aggregate value of all the perquisites like rent free and maintained accommodation or HRA in case the Director (Finance) is occupying any premises on his own, gas, electricity, water, furniture and furnishings, LTA for self and family, club fees, medical benefits, personal accident insurance, interest subsidy on housing loans, annual fees for professional bodies and other allowances / benefits etc. in accordance with the rules of the Company and performance linked incentive / reward / bonus shall not exceed the maximum remuneration approved by the members in general meeting.

Your Directors have recommended a maximum remuneration of Rs.4,00,000/- per month.

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

- 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;
- Gratuity as per rules of the Company (which shall not exceed one half month's salary for each completed year of service); and
- 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. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

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.

JINDAL VIJAYANAGAR STEEL LIMITED

10th Annual Report 2003-2004

In the event of loss or inadequacy of profits in any financial year, the Director (Finance) shall be paid remuneration by way of salary and perquisites as specified above.

The Director (Finance) 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. Rao 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. Seshagiri Rao M.V.S has the approval of the Remuneration Committee. The remuneration payable to Mr. Seshagiri Rao M.V.S is subject to the approval of the Central Government as per the amended provisions of Schedule XIII of the Companies Act, 1956.

The above details may also be treated as an abstract of the terms of appointment of Mr. Seshagiri Rao M.V.S under section 302 of the Companies Act, 1956.

The statement required to be given under Part II Section II (B) (iv) of Schedule XIII of the Companies Act, 1956 is enclosed.

A copy of the agreement executed with Mr. Seshagiri Rao M.V.S 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.

In view of his vast experience and illustrious career, the reappointment of Mr. Seshagiri Rao M.V.S as Director (Finance) would be in the best interest of your Company.

None of the Directors other than Mr. Seshagiri Rao M.V.S is concerned or interested in the resolutions.

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

Item No. 9:

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 Extra-Ordinary General Meeting held on 22nd April 2003 authorised the Board of Directors to contribute to Charitable and other funds not directly relating to the business of the Company or the welfare of its employees, upto a sum of Rs. 50 lacs 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.5 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 of the Company is in any way concerned or interested in the resolution.

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

By Order of the Board
For JINDAL VIJAYANAGAR STEEL LIMITED

Place : Mumbai
Date : 26th October, 2004

R.P.Raichur
Company Secretary

Statement required to be given under Part II Section II(B)(IV) of Schedule XIII of the Companies Act, 1956.

I. GENERAL INFORMATION

(1) Nature of Industry	Steel Industry.
(2) Date or expected date of commencement of commercial production	Roughing Mill on 29.03.1997 and integrated operation of all the units on 01.07.2002.
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable
(4) Financial performance based on given indicators	For the year ended 31.03.2004 EBIDTA : Rs. 1,085.56 crores Profit before tax & Exceptional items : Rs. 299.40 crores Net profit after taxes : Rs. 528.68 crores
(5) Export performance and net foreign exchange collaborations	For the Year ended 31.03.2004 exports were to the tune of Rs.137.31 crores
(6) Foreign investments or collaborators if any	Nil

II. INFORMATION ABOUT THE APPOINTEES

Particulars	Dr. B.N.Singh	Mr. Seshagiri Rao M.V.S
(1) Background details	Given in the explanatory statement above.	Given in the explanatory statement above.
(2) Past remuneration	Rs.23.80 Lacs during F.Y.2003-04	Rs.21.79 Lacs for the F.Y.2003-04 Rs.18.41 Lacs for the F.Y.2002-03 Rs.13.95 Lacs for the F.Y.2001-02
(3) Recognition or award	TISCO Chander (1976), SAIL Gold Medal (1980), National Metallurgist of the Year (1984), Dr. Rajendra Prasad Gold Medal(1985), Metals & Materials Science Gold Medal (1989), Indian Institute of Metal's Steel 80s (1992), Indian Institute of Engineers' Distinguished Metallurgist (1995).	Nil
(4) Job profile and his suitability	Given in the explanatory statement above.	Given in the explanatory statement above.
(5) Remuneration proposed	Given in the explanatory statement above.	Given in the explanatory statement above.
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position or person (in case of expatriates the relevant details would be w.r.t. the country of his origin.)	Considering the vast industrial experience of Dr. B.N. Singh and size of operations of the Company remuneration offered to him is reasonable compared to that in private sector of the steel industry.	Considering the vast experience of Mr. Seshagiri Rao M.V.S in Corporate Finance & Banking and size of operations of the Company remuneration offered to him is reasonable compared to that in the private sector of the steel industry.
(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	No such pecuniary relationship directly or indirectly with the Company or relationship with any of the managerial personnel.	No such pecuniary relationship directly or indirectly with the Company or relationship with any of the managerial personnel.

III. OTHER INFORMATION

(1) Reasons for loss or inadequacy profits	Delay in achieving financial closure, initial teething problems in commissioning of Corex I unit and delay in its stabilisation led to significant time and cost overruns during implementation phase. Bunching of capacity additions coupled with unprecedented downturn in Steel industry further aggravated the problem. High cost debt raised to complete the project increased the interest burden significantly. Financial restructuring package approved by the lenders under the Corporate Debt Restructuring (CDR) mechanism and Company's ability to repay and prepay term loans out of internal accruals have resulted into substantial saving of interest. Steel prices have made substantial recovery from April 2003 onwards. Several cost reduction initiatives taken by the Company started yielding results increasing the profitability of the Company. Hence, Company has earned net profits of Rs.528.68 crores for the year ended 31.03.2004.
(2) Steps taken or proposed to be taken for improvement	
(3) Expected increase in productivity and profits in measurable terms	

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Tenth Annual Report of your Company along with the Audited Accounts for the year ended 31st March 2004.

1. FINANCIAL RESULTS

Rs. crores		
Sr No.	Particulars	31.03.2004 31.03.2003
1.	Sales (Gross)	3596.31 2786.04
	Less : Excise Duty	316.53 281.28
	Sales (Net)	3279.78 2504.76
2.	Other Income	25.17 7.50
	Total Revenue	3304.95 2512.26
3.	Gross Profit / (Loss) before Interest, Depreciation, Miscellaneous Expenditures written off, Exceptional Items & Taxation	1085.56 715.29
4.	Interest	409.28 563.45
5.	Depreciation and Miscellaneous Expenditures written off	376.88 345.10
6.	Profit / (Loss) before Exceptional Items & Taxation	299.40 (193.26)
7.	Exceptional Items	390.76 (209.57)
8.	Profit / (Loss) before Taxation	690.16 (402.83)
9.	Tax including Deferred Tax	(161.48) 292.16
10.	Net Profit / (Loss) for the year	528.68 (110.67)

The financial year 2003-04 is the year of turnaround for your Company registering remarkably improved performance. While the buoyant market conditions and higher sales realisation aided for improved financial performance, the growth in production of over 11% and control on the cost of production despite increase in the input prices, have added to the profitability of the Company. The financial restructuring and repayment and prepayment of debt of Rs.416 crores during the year resulted in net interest reduction of Rs.154 crores relative to previous year. The Company has also entered into settlement agreements with various foreign & domestic lenders and got certain benefits/concessions/waivers represented by exceptional gain of Rs.390.76 crores in the current year. The Company posted a net profit of Rs.528.68 crores reducing 80% of accumulated losses.

2. REVISED RESTRUCTURING PACKAGE (RRP)

Approval of shareholders was obtained at the Extra-ordinary General Meeting held on 22nd April, 2003 for conversion of 40% of the existing equity into 0.01% Cumulative Redeemable Preference Shares.

However, since the same is embodied in the Scheme of Arrangement and Amalgamation for which a separate approval of the Members was sought and obtained in the High Court of Karnataka convened meeting of equity shareholders held on 29.01.2004, the same is not being pursued separately.

All the CDR lenders have implemented the RRP. The Company entered into Settlement Agreements with non-CDR lenders and these agreements have also become effective.

3. SCHEME OF ARRANGEMENT & AMALGAMATION

As the members are aware, your Company has initiated a Scheme of Arrangement and Amalgamation, whereby the steel business of Jindal Iron & Steel Co. Limited (JISCO) will be merged with your Company. Appointed date of the Scheme is April 1, 2003. The Scheme provides for reorganisation of capital structure of the Company, which gives effect to revised restructuring package referred above and consists of conversion of institutional loans into equity, reduction of capital and issue of share warrants etc. The scheme was approved unanimously by the equity shareholders, preference shareholders and secured creditors (which includes institutional lenders) in their respective meetings held on January 29, 2004. The Scheme has been sanctioned by the Hon'ble Bombay High Court and is now pending for the sanction of the Hon'ble Karnataka High Court.

On implementation of the Scheme with the due approvals from the Courts, your Company is expected to derive significant benefits due to synergistic operations in the entire value chain from Iron Ore to Galvanised Coils. The results for the financial year 2003-04 on giving effect to the Scheme if approved by the Court as filed by the Company, will appear as under:

Rs. crores

Sr No.	Particulars	31.03.2004 giving the impact of the Scheme
1.	Gross Turnover/ Income from Operations	5708.10
2.	Less : Inter divisional transfer	1029.34
3.	Sales (Gross) (Net of Inter division Transfer)	4678.76
	Less : Excise Duty	324.10
	Sales (Net)	4354.66
4.	Other Income	31.78
	Total Revenue	4386.44
5.	Gross Profit / (Loss) before Interest, Depreciation, Miscellaneous Expenditure written off, Exceptional Items & Taxation	1499.74
6.	Interest	488.35
7.	Depreciation and Miscellaneous Expenditure written off	439.05
8.	Profit / (Loss) before Exceptional Items & Taxation	572.34
9.	Exceptional Items	390.76
10.	Profit / (Loss) before Taxation	963.10
11.	Tax including Deferred Tax	160.90
12.	Net Profit / (Loss) for the year	802.20

The above information is provided voluntarily so as to bring out greater transparency and adequate disclosures. These figures are provisional and not conclusive and may differ from actuals based on the disposal of the Scheme by Hon'ble High Courts.

4. NEW PROJECTS

The Company initiated steps to set up a Beneficiation plant to reduce the high alumina content in Iron Ore enabling to produce better quality Pellets for iron making. The first and second phase of the Beneficiation plant have been commissioned during the financial year 2003-04 and the third phase will be commissioned in November 2004.

2nd Lime Calcination plant and 2nd Ladle Reheating Furnace were also commissioned. The Slag Grinding unit of 2,00,000 TPY capacity was commissioned which started commercial production in December 2003. Your Company has started manufacturing Cement in this Grinding unit with the addition of Clinker bought from outside.

5. FUTURE PROSPECTS

The steel market is expected to remain bullish particularly in the context of pick up in the world economic growth. The upsurge in demand in North America, renewed infrastructure building activity in Russia and visible recovery in Japanese economy will support the continuation of the upturn in steel cycle. The enhanced industrial activity with strong GDP growth gives further impetus to steel demand in India. In case the new capacities are not created, India may have to rely on steel imports in the years to come. In this promising environment your Company is well positioned to increase the capacity of the steel plant, as additional infrastructure has already been created and the incremental capacities can be created with marginal investments.

The Pellet plant of 3 MTPA produced 3.23 million MT during the F.Y.2003-04. The feeding of beneficiated Iron Ore with reduced alumina content coupled with certain modifications to the existing equipment has contributed to the enhancement of Pellet production capacity from 3 MTPA to 4.2 MTPA since June 2004.

Your Company has achieved 98.3% utilization of its capacity of 1.60 MTPA. Comprehending that with provision for production of additional hot metal, excess capacity presently available in the converter shop, caster and hot strip mill can be used to enhance capacity of steel plant to 2.5 MTPA, the Company has initiated following initiatives in respect of the above.

Your Company has tied up with Euro Ikon Iron and Steel Private Limited (EIIISPL) for setting up the blast furnace with the 0.9 MTPA and will operate the said blast furnace under Operations and Maintenance agreement with EIIISPL. Trial runs of the said furnace have commenced in August 2004.

Second reheating furnace of Hot Strip Mill (HSM) became operational during September 2004 with rolling capacity of 2 MTPA. HSM modernisation is under way which will enable to produce high end products, to improve quality and also to attain the flexibility of producing higher proportion of thinner gauge HR Coils. This modernisation is being done in phases spread over a period of 24 months.

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Your Company has tied up with Euro Coke and Energy Private Limited (ECEPL) for setting up a Coke Oven Plant with a capacity of 0.62 MTPA which will be operated by the Company under Operations and Maintenance agreement with ECEPL. The trial runs will commence in November 2004.

JSW Power Limited (promoted by Jindal Thermal Power Company Limited and other group companies) is setting up 200 MW Power Plants adjacent to steel plant by utilising the waste gases / heat from Blast Furnace / BOF / Corex / Coke Oven Plants. On commissioning of these plants in January 2005 (100 MW) and September 2005 (100 MW), the power cost is expected to come down significantly.

As per the techno economic feasibility report prepared by MECON, a Govt. of India undertaking, the capacity of the Steel plant can be further enhanced from 2.5 MTPA to 3.8 MTPA (upto slab stage) at an expected cost of Rs.1275 crores. This expansion can be carried out with low specific investment cost per tonne (Rs.9800/- per tonne) thus reducing the overall interest and depreciation cost per tonne significantly. Considering the incremental earning that will accrue to the Company and faster pay back period, your Company proposes to take up implementation of this project to be financed by internal accruals (Rs.425 crores) and debt (Rs.850 crores). This expansion project is expected to be operational by March 2006.

The above initiatives taken by the Company to increase the scale of operations and vertical integration coupled with promising market outlook are expected to improve the financial performance during the year 2004-05.

6. ASSOCIATED COMPANIES FOR POWER, OXYGEN AND MINING

● JINDAL THERMAL POWER COMPANY LIMITED (JTPCL)

Both the units of 130 MW have been working at 95% PLF. JTPCL has supplied 1269 (MU) of power to your Company in the year for catering its demand and that of JPOCL. Now JTPCL is fully meeting the requirements of the Steel Plant & Oxygen Plant.

JTPCL has also supplied 780 MU of power to Karnataka Power Transmission Corporation Limited, (KPTCL) during the period under review.

● JINDAL PRAXAIR OXYGEN COMPANY PRIVATE LIMITED (JPOCL)

As per Audited Financial Statement for the year ended 31.3.2003 of JPOCL, the reported turn over and net profit after tax were Rs. 275.71 crores and Rs. 29.10 crores respectively.

● VIJAYANAGAR MINERALS PRIVATE LIMITED (VMPL)

During the financial year 2003-04, 1.04 million tonnes of Iron Ore was despatched from Thimmappanagudi Iron Ore Mines, registering a growth of 21.78%. Additional area of 98.22 hectares has been sanctioned to Vijayanagar Minerals Private Limited. In the coming year (2004-05) Thimmappanagudi Iron Ores Mines will mine and despatch 1.5 million tons of Iron Ore. Back filling has been completed and also dump stabilisation has been done, to protect environment.

JVSL sources 30% of its Iron Ore requirements from VMPL and the balance is being procured from National Minerals Development Corporation and other private mine owners. Your Company has also been pursuing with the Government for allocation of additional iron ore mines to meet the entire Iron Ore requirement.

7. DIVIDEND

Your Directors have not recommended any dividend considering the unabsorbed book losses, even though the Company has made net profit during the year.

8. 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.

9. DIRECTORS

Mr. P. R. Jindal and Dr. Ramaswamy P. Aiyar, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The proposals regarding their re-appointment as Directors are placed for your approval.

Mr. J.K.Tandon, Joint Managing Director & CEO of your Company has tendered his resignation w.e.f 13.12.2003. Mr. J.K.Tandon has been with your Company since 1997 and has contributed immeasurably for the implementation of the integrated project and for the growth of the organisation over these years. The Board of Directors place on record its special appreciation of the valuable contribution made by him during his tenure as Joint Managing Director & CEO.

Your Directors have appointed Dr. B.N.Singh as Joint Managing Director & Chief Executive Officer w.e.f 13.10.2003 for a period of 5 years and have re-appointed Mr.Seshagiri Rao M.V.S as Director (Finance) for a further period of 5 years w.e.f 06.04.2004, subject to necessary approvals. The proposals regarding their appointment/re-appointment are also placed for your approval.

Mr. U.Mahesh Rao and Mr. Moosa Raza, IAS(Retd.) have resigned as Directors of your Company w.e.f 06.10.2003 and 01.04.2004 respectively.

Mr. Subir Hari Singh, IAS, nominee of KSIIDC in place of Mr. K. K. Misra, IAS, was appointed as an Additional Director of your Company by the Board w.e.f.23.07.2003. Mr. N. Gokulram, IAS was appointed by KSIIDC as its nominee Director on our Board in place of Mr. Subir Hari Singh, IAS with effect from 13.07.2004. KSIIDC also nominated Mr. K.Jairaj, IAS as its nominee in place of Mr. Kotilingangoud with effect from 19.06.2004 and withdrew his nomination w.e.f.11.10.2004.

LIC of India has nominated Mr. S.David Chandrasekaran as its nominee on the Board of your Company w.e.f 05.06.2003 in place of Mr. B.R.Sethi. ICICI Bank Ltd has nominated Mr.Balaji Swaminathan as its nominee on the Board of your Company w.e.f. 07.05.2004 in place of Mr.N.D.Pinge. IFCI nominated Mr. R.P. Singh as its nominee on the Board of your Company with effect from 29.06.2004 in place of Dr. S.S. Jha.

Your Directors also place on record their deep appreciation of the valuable services rendered by Mr. U. Mahesh Rao, Mr. Moosa Raza IAS (Retd.), Mr.N.D.Pinge, Mr. B. R. Sethi, Mr. Kotilingangoud, IAS Dr. S. S. Jha, Mr. Subir Hari Singh, IAS Mr. K. K. Misra, IAS and Mr. K.Jairaj, IAS during their tenure as Directors.

10. SHARE CAPITAL

Issue of Preference Shares

27,90,34,907-10% Cumulative Redeemable Preference Shares of Rs.10/- each were issued and allotted on 19.07.2003 to certain secured lenders in lieu of payment of a part of the simple interest overdues to lenders as per the terms of financial restructuring package approved by Corporate Debt Restructuring Cell (CDR). These Shares are currently listed on the Bangalore, Mumbai & National Stock Exchanges.

Forfeiture and Annulment of forfeiture of Equity shares

Out of 20,69,78,250 Equity shares forfeited during F.Y. 2000-01 for non payment of call money arrears aggregating to Rs.146,04,30,150/- and 3,53,410 Equity shares forfeited during the F.Y.2001-02 for non payment of allotment money, forfeiture in respect of 17,500 shares were annulled during the period under review in addition to the forfeiture already annulled of 2,11,800 Equity shares upto 31.03.2003. The Company has not made any forfeiture of shares during the year under review.

11. AUDITORS

M/s. Lodha & Co., Chartered Accountants, Auditors of the Company will 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.

12. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy and Technology Absorption is given as an Annexure to this report.

13. AWARDS & RECOGNITION

- JVSL has been conferred with prestigious Commendation Certificate for Strong Commitment to Total Quality Management on the Journey towards Business Excellence by CII-EXIM BANK.
- JVSL has been honoured with Silver Award in Metals Sector for outstanding achievement in Environment Management by GREENTECH FOUNDATION.
- JVSL has the distinction of being certified to ISO-9001-2000 Quality Management System, ISO-14001:1996 Environment Management System and OHSAS 18001:1999 Occupational Health and Safety Management System which are successfully being maintained.
- JVSL bagged the prestigious **BEST IT USER** award in the MANUFACTURING category for the year 2004 instituted by 'NASSCOM-Economic Times' reflecting excellence in Information Technology usage for gaining significant business benefits.

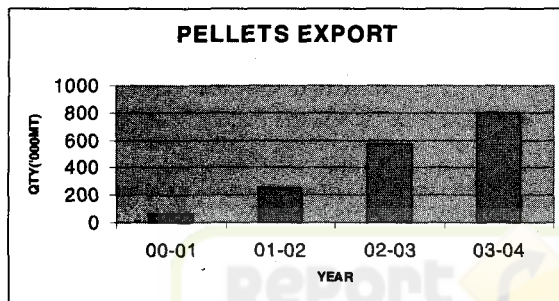
14. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i. Activities relating to exports and initiatives taken to increase export products and services and export plans :

Optimum Net Sales realisation was achieved due to right Mix of Sales in Domestic and Export Markets. As the export market was depressed at the start of the year, thrust was accorded to the value added products with target to the niche markets. Accordingly, new markets at Kenya, Australia, and Malaysia were explored and serviced. These markets were in addition to the earlier markets in Europe, Bangladesh, Thailand, China etc.

On pellets front, your Company increased its presence in China by supplying close to 800,000 mt of pellets during the financial year (an impressive growth of 40%). This has further enhanced the confidence of the buyers, viewing your Company as a consistent and reliable supplier of Pellets.

Supplies of pellets to domestic market were increased to 280,000 mt. This resulted in the overall sales volume exceeding one million tons (comprising of about 75% exports).



- ii Foreign Exchange Earnings during the year 2003-04 was Rs.137.31 crores as against Rs.368.65 crores during previous year, while the foreign exchange outgo during the year was Rs.864.48 crores as against Rs.770.22 crores during the previous year.

15. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 has been provided as an Annexure to this report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, this report alongwith the accounts are being sent to all the shareholders of your Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

16. THE CORPORATE GOVERNANCE CODE

The importance of Corporate Governance has always been recognised by your Company and is manifest in the Company's vision. As a proactive step your Company has been following the Corporate Governance practices like striking out reasonable balance in the Composition of Board of Directors, setting up Audit Committee and other Business Committees, adequate disclosures and business to be deliberated by the Board etc, even before the code became mandatorily applicable.

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.

17. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) Your Directors have selected such 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) Your Directors 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) Your Directors have prepared the annual accounts on a going concern basis.

18. APPRECIATION

Your Directors take this opportunity to express their appreciation for the co-operation and assistance received from the Central Government, the Government of Karnataka, and the Financial Institutions, Banks as well as the Shareholders and Debentureholders 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
Date: 26th October, 2004

P R JINDAL
Chairman

JINDAL VIJAYANAGAR STEEL LIMITED

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ANNEXURE TO DIRECTORS' REPORT**FORM A**

Form for Disclosure of particulars with respect to Conservation of Energy

A POWER & FUEL CONSUMPTION	Current Year (2003-04)	Previous Year (2002-03)
1 Electricity		
a) Purchased		
Unit (kwh) (in Lacs)	6,231.91	4,868.98
Total Amount (Rs. in crores)	182.82	143.13
Rate / Unit	Rs. 2.93	Rs. 2.94
b) Own Generation		
i) Through diesel generator		
Units (kwh) (in lacs)	0.52	1.00
Units per ltr of diesel	3.00	3.09
Cost / Unit	Rs. 36.25	Rs. 16.82
2 Coal + Coke		
Quantity (MT)	2016299	1716603
MT of Coal	+	+
344484		271608
MT of Coke		MT of Coke
Total Amount (Rs in crores)	916.64	668.33
Coal Rate (Rs. / MT)	3090	3113
Coke Rate (Rs. / MT)	8525	4919
3 Furnace Oil		
Quantity (K.Ltrs)	0	0.85
KL of HFO	+	+
0		3.886
KL of LDO		KL of LDO
Total Amount (Rs in crores)	0	0.0052
Average Rate (Rs. / Ltrs)	0	11.05
4 LPG		
Quantity (MT)	1,434.35	1,579.52
Total Amount (Rs in crores)	2.87	3.14
Average Rate (Rs. / MT)	20014	19881
5 Others / Internal generation (Please give details)		
Quantity (Water cu.m)	6505340	4530977
Total Cost (Rs in crores)	0.05	0.04
Rate / Unit (Rs. / M ³)	0.078	0.096

B CONSUMPTION PER UNIT OF PRODUCTION

	Standards (if any)	Current Year 2003-04	Previous Year 2002-03
Products (with details) Unit	HR Coils	HR Coils	HR Coils
Electricity (kwh / MT)	350.0	357.0 ##	317.4#
Furnace Oil (Litre / MT)	-	0.00	0.00
LPG (Kg / T)	1.3	0.9	1.1
Others (Specify)			
- Water (M3 / T)	4.5*	4.1	3.2

Power consumed on Slab and Pellet sold has been reduced to arrive at consumption per unit for current year.

This does not include power consumption in Corex-2 & Pellet plant during trial run.

Standard of Electricity (Kwh/MT) revised to consider Pellet Plant power.

* Revised considering Integrated Operation.

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 Iron Making, Steel Making, Hot Rolling, 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.

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

- The R&D project partly funded by Ministry of Steel and Department of Science and technology to identify suitable indigenous coal is continuing in collaboration with Society for Innovation and Development, Indian Institute of Science, Bangalore and Central Fuel research Institute, Dhanbad. The plant scale trials were conducted with unwashed grade-B Singareni Coal. 3000 tonnes of coal was used and 10% of imported coal could be successfully replaced.
- Iron Ore fines from different sources procured for beneficiation were classified as *Preferable, Tolerable and Not Washable* and Iron Ore fines input increased from preferred sources from 78% to 84% with resultant increased drop in alumina from 26% to 33% at 80% yield.
- 32000 tonnes of iron Ore Slimes, a waste product from NMDC, were successfully utilized in pellet making.
- Despite increased level of alumina in the iron Ore fines, from 1.77% to 2.14%, Pellet plant parameters were optimized with respect to firing temperature, burn through temperature, carbon content etc., resulting in increased productivity and better quality of pellets.
- Oxygen consumption in Corex process through Tuyeres and Dust burners was optimized resulting in reduced oxygen consumption by about 30 Nm³/thm and increased melting rate and reduced fuel rate.
- During the year the company has added several new products like API-5L-X65, 50 Cr V 4, Low C, low Al Si killed Boron treated etc.

3. Future plan of action

R&D programmes identified for the next year (2004-05) are as follows: Optimization of Coal Blend for top charged and Stamp charged Coke Ovens, Development of process for beneficiation of Iron Ore Slimes, Coal for Coal Injection, Mathematical Models for control of Super Heat in Continuous Casting process, Roll Force Prediction Model for new grades of Steel etc.

4. Expenditure on R&D

- Capital - Rs. 1.13 crores
- Recurring - Rs. 1.27 crores
- Total - Rs. 2.40 crores
- Total R&D expenditure as a percentage of total turnover - 0.07%

TECHNOLOGY ABSORPTION**1. Efforts made and Benefits derived**

The 1.5 MTPA Iron Ore Beneficiation Plant, commercialized based on in-house technology, has attained rated capacity. With in-house developed technique of slag splashing and high MgO practice, the BOF lining life achieved is 4309 heats, which is a national Bench Mark.

2. Imported Technologies

Innovation/ Technology	Year of Import/ Absorption	Status of Implementation
• CORE X from VAI, Austria.	1999	Successfully Commissioned and surpassed rated capacity and JVSL performance is world Bench Mark.
• Iron Ore Pelletization Technology from Kvaerner metals, USA	2000	Successfully commissioned and surpassed rated capacity.