



Breaking Barriers

Annual Report 2005-2006

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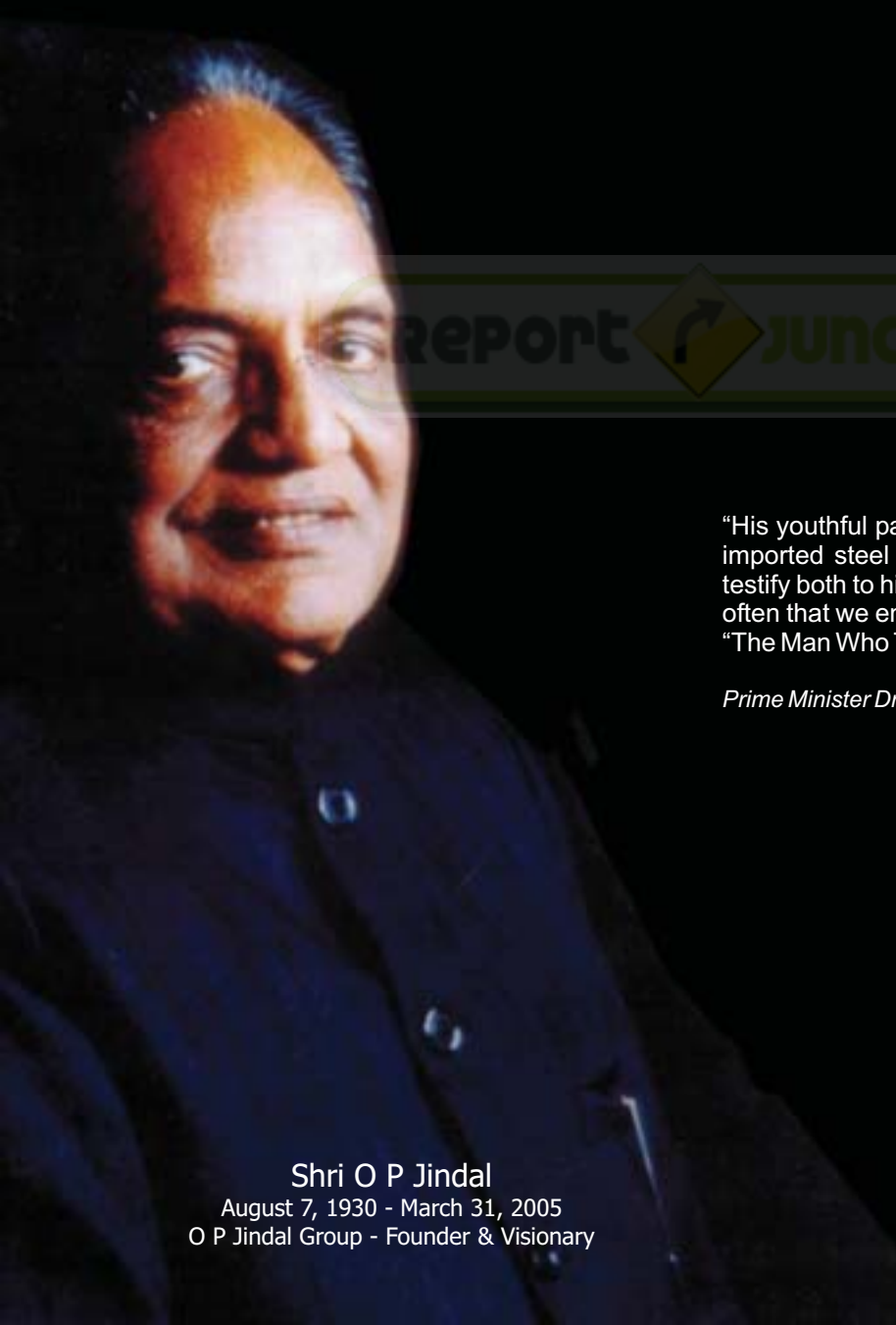
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BREAKING BARRIERS

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

We humbly follow his lead.



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

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

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

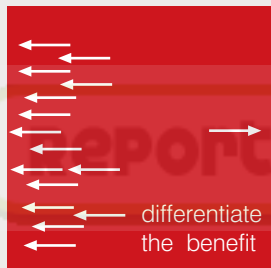
Our Values



Young thinking is crystal clear
Openness and transparency above all else.
Be it in our transactions, our operations or
our interactions with our stakeholders.



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



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



Young thinking is for winners
To innovate, to benchmark, to strive and to
deliver value beyond expectations.

Our Vision

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

Vice Chairman's Message

Dear Shareholder,

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

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



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

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

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

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

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

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

Yours Truly

A handwritten signature in black ink, appearing to read 'Sajjan Jindal'.

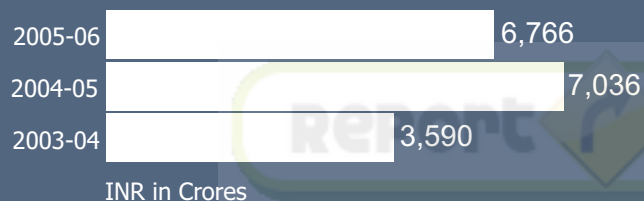
SAJJAN JINDAL
Vice Chairman &
Managing Director

HIGHLIGHTS 2005-06

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

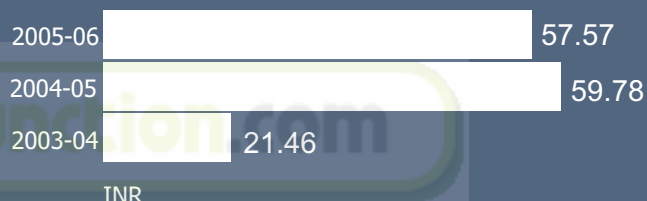
Gross Sales

3 years CAGR : 34.42%

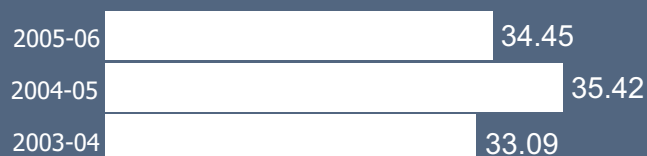


Earnings per Share

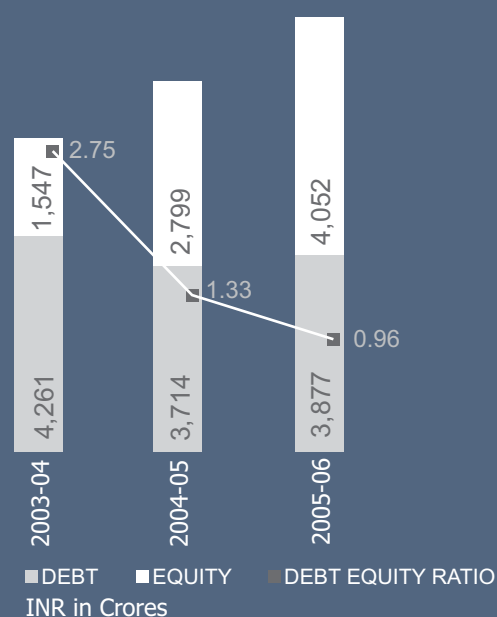
Diluted (Before Exceptional Items- Net of Tax)



EBIDTA Margin (%)

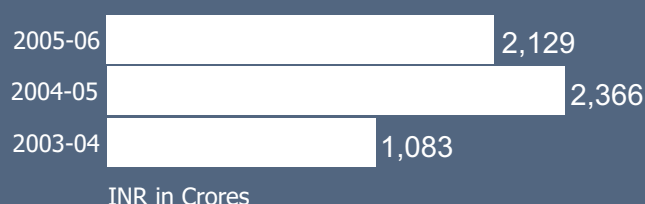


Debt equity Ratio



EBIDTA

3 years CAGR : 43.85%



Breaking Records

IMEA award

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

Green Tech award

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

CII-EXIM Bank Award 2005

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

Rockwell Jury Award

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



BREAKING MINDSETS

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

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

YOUNG THINKING

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



EXPANSION

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

