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to

lead

26th ANNUAL GENERAL MEETING

Date : 29th September, 2006
Day : Friday
Time : 11.30 a.m.
Place : Registered Office,
O.P. Jindal Marg, Hisar

REGISTERED OFFICE	O.P. Jindal Marg, Hisar-125 005 (Haryana) India. Phone: (01662) 222471-83. Fax : (01662) 220476/ 220499 e-mail: jslhsr@nde.vsnl.net.in
CORPORATE OFFICE	Jindal Centre, 12 Bhikaiji Cama Place, New Delhi – 110 066, India. Phone:(011) 26188345-60. Fax: (011) 26170691, 26161271 e-mail: jindalsteel@del2.vsnl.net.in Web Site : www.jindalstainless.com
MUMBAI OFFICE	Jindal Mansion, 5A, G. Deshmukh Marg, Mumbai-400 026, India. Phone: (022) 23513000. Fax: (022) 23526400, 23522600 e-mail:jindal@bom2.vsnl.net.in
BHUBANESHWAR OFFICE	50, H.I.G, BBA, Jaidev Vihar, Bhubaneshwar – 751 013 (Orissa), India. Phone: (0674) 2303560, 2301846, Fax : (0674) 2303147 e-mail: jslbbs@sify.com

MANUFACTURING FACILITIES

HISAR	O.P. Jindal Marg, Hisar-125 005 (Haryana) India. Phone: (01662) 222471-83. Fax : (01662) 220476/ 220499 e-mail: jslhsr@nde.vsnl.net.in
ORISSA	Kalinga Nagar Industrial Complex, P.O. Danagadi – 755 026 Dist. Jajpur (Orissa) India Phone: (06726) 266031-32, Fax : (06726) 266030 e-mail: info@jindalstainless.com
KOTHAVALASA	Jindal Nagar, Kothavalasa – 535 183, Dist. Vizianagaram (A.P.) India. Phone: (08966) 273327, 273254, 273335 Fax: (08966) 273326 e-mail: jindalkvs@sancharnet.in

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(As On 2nd September, 2006)

BOARD OF DIRECTORS

Chairperson	Savitri Devi Jindal
Vice Chairman & Managing Director	Ratan Jindal
Managing Director & Chief Executive Officer	V.S. Jain
Jt. Managing Director & Chief Operating Officer (Orissa Division)	Ashis Das
Dy. Managing Director	R.G. Garg
Director – International Marketing	N.C. Mathur
Directors	Naveen Jindal Suman Jyoti Khaitan Lokesh Kumar Singhal T.R. Sridharan B.D. Gupta
Executive Director	Rajinder Parkash
Sr. Vice President & Company Secretary	A.P. Garg

MANAGEMENT TEAM

Director – Finance	Arvind Parakh
Director – Commercial	R.K. Goyal
Executive Director – Projects	B.P. Goyal
Bankers	State Bank of India State Bank of Patiala Punjab National Bank Canara Bank Standard Chartered Bank ICICI Bank UTI Bank Export-Import Bank of India
Statutory Auditors	Messrs Lodha & Co., Chartered Accountants Messrs S.S. Kothari Mehta & Co., Chartered Accountants
Cost Auditors	Messrs Ramanath Iyer & Co., Cost Accountants
Registered Office	O.P. Jindal Marg, Hisar -125 005 (Haryana)
Works	Hisar (Haryana), Kothavalasa (A.P.), Danagadi, Dist. Jajpur (Orissa)
Branches	Howrah and Mumbai



DEAR STAKEHOLDERS,

The last fiscal has been a tough year, as the stainless steel industry worldwide witnessed steep rise in input costs and on the other side experienced constant pressures on prices of the finished products.

The market stagnation was attributed to heavy de-stocking by all major players, industry wide, which significantly weakened the prices and profitability. At Jindal Stainless, we were able to absorb the pressures and have been able to sustain the topline. We are now surging ahead to consolidate and build capacities to meet market adversities in future.

To insulate ourselves from the volatility of raw material prices and in the process of becoming self reliant, Jindal Stainless is moving ahead to set up a fully integrated stainless steel plant in the state of Orissa, India, which would enable Jindal Stainless to be amongst the most cost competitive Stainless Steel producers in Asia. The project also entails linkages with iron ore, manganese, chrome ore and coal mines and will also have support facilities required for manufacturing of Stainless Steel such as Ferro Chrome, Ferro Manganese, Silico Manganese, Coke Ovens and Thermal Power Plant.

As part of the Ferro Alloys complex in Phase1, two state-of-the-art submerged arc furnaces (60 MVA each) of HC Ferro Chrome have already been commissioned. The Ferro Manganese and Silico Manganese furnaces are under implementation. The Coke Oven and Power Plant are also under implementation as part of phase I of the project.

Our consistent efforts have provided stability and growth and would help us to consolidate further. As we travel across through the most testing times the industry has faced in the recent past, the most important aspect that comes to fore is to develop the internal strength needed to ward off such adversities. We have therefore put in place a mechanism to control costs, build sustainable customer relationship, improved financial management and to nurture and nourish the best of human capabilities, who we believe are the pillars of success.

We must address the challenges of increasing productivity to internationally competitive levels. This must involve critically evaluating our management practices, reviewing workplace strategies, reducing costs of production, and above all, working together to manage the inevitable challenges, which we feel will catapult JSL into the top league of world-class enterprises.

Stainless Steel is a versatile, constantly developing material that underpins all manufacturing activity. Over a decade the industry in India has witnessed a growth of over 10% on an average against the global average of 5%. India is galloping ahead to become a developed nation by 2020 with a per capita GDP of \$1540. We find, there is a direct correlation between GDP growth and consumption of stainless steel, which reinforces our belief for growth, of an emerging and growing market in India. Segments like architecture, building & construction have huge potentials added with focus of the government on infrastructure development across the country. The growth of stainless steel consumption in newer and innovative application is gradual but visible, and we expect this to grow now at a much rapid pace. With modernization of airports, development of facilities for hosting Commonwealth Games, rising disposable income leading to increased consumption and rise in demand in the real estate segment, we feel the growth in consumption of stainless steel is imminent.

It is our conviction that our progress will continue with expanding consumption base but the drivers of performance would be cost and operational efficiencies. We have aligned our operations to international standards and have concentrated our efforts on performance excellence initiatives including TPM and Six Sigma.

Jindal Stainless is surging ahead to be amongst the top global players of the industry. In line with our vision, we will continue to pursue a strategy of cost leadership and continuous innovation, to provide customer satisfaction while adding sustained value for all our stakeholders.

We wish to thank all our shareholders who have been part of this journey, and have trusted in our dreams for creating a 'stainless future'.

Ratan Jindal
Vice Chairman & Managing Director

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NOTICE

NOTICE is hereby given that the **26th Annual General Meeting** of shareholders of **JINDAL STAINLESS LIMITED** will be held on **Friday, 29th September, 2006 at 11.30 a.m. at Registered Office** of the company at O.P. JINDAL MARG, HISAR (Haryana) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and the Board of directors.
2. To declare payment of dividend on equity shares for the year ended 31st March 2006.
3. To appoint a director in place of Sh. Suman Jyoti Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Dr. L.K. Singhal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Lodha & Co., Chartered Accountants and M/s. S.S. Kothari Mehta & Co., Chartered Accountants as joint statutory auditors of the company, to conduct audit of books of accounts of the company and hold office from the conclusion of this annual general meeting to the conclusion of the next annual general meeting and to re-appoint M/s. N.C. Aggarwal & Co., Chartered Accountants, as branch auditors of Visakhapatnam division of the company.

AS ORDINARY RESOLUTIONS:

- I. **"RESOLVED** that the retiring joint statutory auditors, M/s. Lodha & Co., Chartered Accountants, and M/s. S.S. Kothari Mehta & Co., Chartered Accountants, who, being eligible, offer themselves for re-appointment be and are hereby re-appointed as joint statutory auditors of the company to conduct audit of the books of accounts of the company for the year 2006-07 and to hold office until the conclusion of the next annual general meeting at a remuneration to be finalised by the Board of directors."
- II. **"RESOLVED FURTHER** that M/s. N.C. Aggarwal & Co., Chartered Accountants, Hisar be and are hereby re-appointed as Branch Auditors of Visakhapatnam division of the company for the year ending 31st March, 2007 on the terms and conditions and remuneration as may be finalised by the Board of directors."

SPECIAL BUSINESS:

TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION, THE FOLLOWING RESOLUTIONS:

6. AS AN ORDINARY RESOLUTION:

"RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Sh. T.R. Sridharan, an Additional Director of the company who holds office upto the date of this annual general meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the company, liable to retire by rotation."

7. AS AN ORDINARY RESOLUTION:

"RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Sh. B.D. Gupta, an Additional Director of the company who holds office upto the date of this annual general meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the company, liable to retire by rotation."

8. AS AN ORDINARY RESOLUTION:

"RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Sh. V.S. Jain, an Additional Director of the company who holds office upto the date of this annual general meeting pursuant to section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the company."

9. **AS AN ORDINARY RESOLUTION:**

“**RESOLVED** that in accordance with the provisions of sections 198, 269 and 309 read with schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time, consent of the company be and is hereby given to the appointment of Sh. V.S. Jain as Managing Director & Chief Executive Officer for a period of 5 years w.e.f. 2nd September, 2006 to 1st September, 2011 at remuneration and other perquisites and terms and conditions as detailed in the Explanatory Statement, with liberty to the Board of directors to alter or vary the same so as not to exceed the limits set out in sections 198 and 309 read with schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed upon between the Board of Directors and Sh. V.S. Jain provided, however, that the normal annual increment as per policy of the company shall be granted to him by the Vice Chairman & Managing Director.”

10. **AS AN ORDINARY RESOLUTION:**

“**RESOLVED** that in accordance with the provisions of sections 198, 269, 309 and 310 read with schedule XIII and all other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time, consent of the company be and is hereby accorded to the revised terms of remuneration as detailed in the Explanatory Statement payable to Sh. Ratan Jindal, Vice Chairman & Managing Director, during the current tenure of his appointment w.e.f. 1st April, 2006 to 22nd July, 2008, as set out in the explanatory statement.”

11. **AS AN ORDINARY RESOLUTION:**

“**RESOLVED** that in accordance with the provisions of sections 198, 269 and 309 read with schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time, consent of the company be and is hereby given to the appointment of Sh. Ashis Das as Joint Managing Director & Chief Operating Officer (Orissa Division) for a period of 5 years w.e.f. 18th August 2006 to 17th August, 2011 at remuneration and other perquisites and terms and conditions as detailed in the Explanatory Statement, with liberty to the Board of directors to alter or vary the same so as not to exceed the limits set out in sections 198 and 309 read with schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed upon between the Board of Directors and Sh. Ashis Das provided, however, that the normal annual increment as per policy of the company shall be granted to him by the Vice Chairman & Managing Director.”

12. **AS A SPECIAL RESOLUTION:**

“**RESOLVED** that, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulations) Act, 1956, the Listing Agreements with the Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of directors of the company (‘the Board’) or any Committee/ person(s) authorized by the Board, consent of the company be and is hereby accorded to delist from the stock exchanges at Delhi, Ahmedabad, Chennai and Kolkata, the equity shares of the company, including equity shares that may be issued and listed in future pursuant to the requirements of clause 24(a) and other applicable provisions of the Listing Agreement pending approval of the delisting application made by the company.”

“**RESOLVED FURTHER** that authority be and is hereby accorded to the Board or any Committee / person(s) authorized by the Board to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this resolution.”

By order of the Board

(A.P. Garg)
Sr. Vice President
& Company Secretary

Registered Office:
O.P. Jindal Marg,
HISAR - 125 005.
2nd September, 2006

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 AND A PROXY NEED NOT BE A MEMBER.
- B. A blank proxy form is sent herewith.
- C. The instrument appointing the proxy should be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
- D. An explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of item nos. 6 to 12 of the Notice is annexed hereto.

Explanatory Statement under section 173(2) of the Companies Act, 1956.

ITEM NO. 6

The Board of directors appointed Sh. T.R. Sridharan as Additional Director with effect from 26th December, 2005 by passing the resolution through circulation, pursuant to Article 78 of Articles of Association of the company and section 260 of the Companies Act, 1956. As per the said Article and said section, Sh. T.R. Sridharan will hold office upto the date of this annual general meeting. A notice pursuant to section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose him as a candidate for the office of Director. The profile of Sh. T.R. Sridharan is given hereto under the head 'Additional Information'.

Sh. T.R. Sridharan, being concerned, is interested in the resolution. None of the other directors of the company is concerned or interested in the resolution. Your Directors, therefore, recommend the resolution for your approval.

ITEM NO. 7

The Board of directors, in its meeting held on 2nd September, 2006 appointed Sh. B.D. Gupta as Additional Director with effect from 2nd September, 2006, pursuant to Article 78 of Articles of Association of the company and section 260 of the Companies Act, 1956. As per the said Article and said section, Sh. B.D. Gupta will hold office upto the date of this annual general meeting. A notice pursuant to section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose him as a candidate for the office of Director. The profile of Sh. B.D. Gupta is given hereto under the head 'Additional Information'.

Sh. B.D. Gupta, being concerned, is interested in the resolution. None of the other directors of the company is concerned or interested in the resolution. Your Directors, therefore, recommend the resolution for your approval.

ITEM NO. 8 & 9

The Board of directors, in its meeting held on 18th August 2006 appointed Sh. V.S. Jain as Additional Director with effect from 18th August, 2006, pursuant to Article 78 of Articles of Association of the company and section 260 of the Companies Act, 1956. The Board of directors, in its meeting held on 2nd September, 2006 appointed Sh. V.S. Jain as Managing Director & Chief Executive Officer for a period of 5 years w.e.f. 2nd September, 2006 to 1st September, 2011, subject to approval of shareholders at the ensuing annual general meeting. As per provisions of Article 78 of Articles of Association of the company and section 260 of the Companies Act, 1956, Sh. V.S. Jain will hold office upto the date of this annual general meeting. A notice pursuant to section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose him as a candidate for the office of Director.

In terms of schedule XIII to the Companies Act, 1956, Sh. V.S. Jain is eligible for appointment as Managing Director & Chief Executive Officer. Hence the proposal. His appointment shall not be subject to retirement by rotation. The profile of Sh. V.S. Jain is given hereto under the head 'Additional Information'. The terms and conditions of his appointment are as mentioned hereunder:

Particulars of terms and conditions and remuneration:

1. Tenure: 5 years with effect from 2nd September, 2006 to 1st September, 2011
2. Remuneration:

Salary: Up to a maximum of Rs.6,50,000/- (Rupees six lacs and fifty thousand only) per month, with annual increment effective 1st April every year as may be decided by the Vice Chairman & Managing Director, based on merit and taking into account the company's performance for the year. Contribution to Provident Fund, Superannuation fund/ Gratuity, Group Personal Accident Insurance, Medclaim for self and family will be as per rules of the company. In addition, other benefits, perquisites and allowances will be determined by the board from time to time. Commission will be based on performance criteria prescribed by the board.

3. Minimum remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Sh. V.S. Jain, Managing Director & Chief Executive Officer, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances as specified above, subject to Central Government approval.
4. The appointment of Sh. V.S. Jain as Managing Director may be terminated by either party giving the other party 3 (three) months' notice or the company paying 3 (three) months' salary in lieu thereof.
5. He is not entitled to sitting fees for attending the meetings of the board or of the committees thereof.
6. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the company.

7. The above remuneration payable to him shall be subject to the limits of 5% and 10% of the net profits of the company, as the case may be as laid down in section 309 of the Companies Act, 1956 read with schedule XIII to the Companies Act, 1956 and the overall limit of 11% of the net profits of the company as laid down in Section 198(1) of the said Act.
8. He shall not be liable to retire by rotation.

In compliance with the provisions of section 309 of the Companies Act, 1956, the terms of remuneration specified above is placed before the members in the annual general meeting for their approval.

The above may be treated as an abstract required under section 302 of the Companies Act, 1956. There is no written agreement in this regard.

Sh. V.S. Jain, being concerned, is interested in this resolution. None of the other directors of the company is concerned or interested in the resolution. Your Directors, therefore, recommend the resolution for your approval.

ITEM NO. 10

Sh. Ratan Jindal was appointed as Vice Chairman & Managing Director of the company for a period of five years from 23rd July, 2003 to 22nd July, 2008 at a remuneration of Rs.6,00,000 per month in the scale of Rs.6,00,000–Rs.1,00,000–Rs.11,00,000. The shareholders had approved his appointment as well as remuneration in the extraordinary general meeting held on 1st August, 2003.

Keeping in view his vast experience, the Board of directors, in its meeting held on 19th March, 2004, revised his remuneration from 1st April, 2004 to 22nd July, 2008 comprising salary of Rs.10,00,000 per month in the scale of Rs.10,00,000–Rs.1,50,000–Rs.16,00,000 alongwith 1% commission on net profits of the company and perquisites. The said revised remuneration was approved by the shareholders in the annual general meeting held on 29th September, 2004.

The Board of directors in its meeting held on 20th February, 2006 decided to entrust Sh. Ratan Jindal with the additional responsibilities to look after the operations of two abroad based subsidiaries of Dubai and London and decided to pay the salary from two subsidiaries within the overall limits as approved by the shareholders in the annual general meeting held on 29th September, 2004. The Board authorized Sh. Ratan Jindal to look after the operations of both the subsidiaries abroad besides monitoring the affairs of Jindal Stainless Ltd. Sh. Ratan Jindal intended to draw salary from both the subsidiaries and to avail commission and perquisites only from Jindal Stainless Ltd. w.e.f. 1st April, 2006 within the overall limits as approved by the shareholders.

The Board of directors referred the matter to the remuneration committee to re-define the remuneration package of Sh. Ratan Jindal within the overall limits as approved by the shareholders as aforesaid. The Remuneration Committee, in its meeting held on 29th March, 2006, recommended the re-defined remuneration package of Sh. Ratan Jindal for approval of the Board.

The remuneration package, as recommended by the Remuneration Committee in its meeting held on 29th March, 2006, was approved by the Board of directors in its meeting held on 29th April, 2006 under the provisions of section 268 of the Companies Act, 1956.

Accordingly, with effect from 1st April, 2006, Sh. Ratan Jindal will draw salary from Dubai based subsidiary and UK based subsidiary and will not draw salary from Jindal Stainless Limited, but continue to avail commission and perquisites from Jindal Stainless Limited.

Central Government has granted approval to the amendment of provisions relating to remuneration of Sh. Ratan Jindal, Vice Chairman & Managing Director vide its letter dated 31st August, 2006, subject to approval of shareholders. Hence the proposal.

1. Revised Remuneration from 1.4.2006 to 22.7.2008:

- (a) Commission: 1% Commission on the Net Profits of the company.
- (b) Perquisites:

In addition to the commission payable, the Vice Chairman & Managing Director shall also be entitled to:

- i) Reimbursement of medical expenses for self and family upto Rs.15,000.
- ii) Payment of Club fees including life membership fees.
- iii) Personal Accident Insurance, the annual premium for which does not exceed Rs.75,000/-.
- iv) Free telephone facility at residence. All personal long distance calls shall be billed by the company.
- v) Free use of car with driver.

2. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Sh. Ratan Jindal, Vice Chairman & Managing Director, the company has no profits or its profits are inadequate, the company will pay remuneration by way of commission and perquisites as specified above, subject to Central Government approval.

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3. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the company.
4. He shall not be paid any sitting fees for attending the meetings of the Board of directors or committees thereof.
5. The above remuneration payable to him shall be subject to the limits of 5% and 10% of the Net Profits of the company, as the case may be as laid down in section 309 of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 and the overall limit of 11% of the Net Profits of the company as laid down in Section 198(1) of the said Act.
6. He shall not be liable to retire by rotation.

In compliance with the provisions of section 309 of the Companies Act, 1956, the terms of remuneration specified above is placed before the members in the general meeting for their approval.

The above may be treated as an abstract required under section 302 of the Companies Act, 1956. There is no written agreement in this regard.

Sh. Ratan Jindal, being concerned, is interested in the resolution. Smt. Savitri Devi Jindal and Sh. Naveen Jindal, being relatives of Sh. Ratan Jindal may be regarded as concerned or interested in the resolution. None of the other directors of the company is concerned or interested in the resolution.

ITEM NO. 11

The Board of directors, in its meeting held on 18th August 2006 appointed Sh. Ashis Das as Joint Managing Director & Chief Operating Officer (Orissa Division) pursuant to Article 78 of Articles of Association of the company and section 260 of the Companies Act, 1956 for a period of 5 years w.e.f. 18th August 2006 to 17th August 2011, subject to the approval of shareholders at the annual general meeting. As per the said Article and section, Sh. Ashis Das will hold office upto the date of this annual general meeting. A notice pursuant to section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose him as a candidate for the office of Director.

In terms of schedule XIII to the Companies Act, 1956, Sh. Ashis Das is eligible for appointment as Joint Managing Director & Chief Operating Officer (Orissa Division). Hence the proposal. His appointment shall be subject to retirement by rotation. The profile of Sh. Ashis Das is given hereto under the head 'Additional Information'. The terms and conditions of his appointment are as mentioned hereunder:

Particulars of terms and conditions and remuneration:

1. Period of Agreement: 5 years with effect from 18.8.2006 to 17.8.2011
2. Remuneration :

(a) Basic Salary : Rs.2,00,000 (Rs. two lac only) per month

(b) Perquisites and allowances:

In addition to the salary, Sh. Ashis Das, Joint Managing Director & Chief Operating Officer (Orissa Division) shall also be entitled to:

- (i) House Rent Allowance @ Rs.50,000/- (Rupees fifty thousand only) per month.
- (ii) Choice Pay @ Rs.1,00,000/- (Rupees one lac only) per month.
- (iii) Reimbursement of Professional Pursuits @ Rs.12,000/- (Rupees twelve thousand only) per annum.
- (iv) Leave Travel Assistance @ Rs.30,000/- (Rupees thirty thousand only) per annum.
- (v) Reimbursement of medical expenses @ Rs.15,000/- (Rupees fifteen thousand only) per annum.
- (vi) Bonus / Ex-gratia @ 20% of basic salary, payable annually.
- (vii) Mediclaim Insurance coverage for self, spouse and dependent children as per company rules.
- (viii) Group Personal Accident Insurance Coverage as per company rules.
- (ix) Chauffeur driven car for business and personal usage.
- (x) Reimbursement of expenses incurred on official entertainment.
- (xi) Provident fund as per rules thereof.
- (xii) Gratuity as per rules thereof.
- (xiii) Performance Linked Variable Reward (PLVR) as per scheme of the company.
- (xiv) Other allowances as per rules of the company.

3. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Sh. Ashis Das, Joint Managing Director & Chief Operating Officer (Orissa Division), the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances as specified above, subject to Central Government approval.

4. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the company.
5. He shall not be paid any sitting fees for attending the meetings of the Board of directors or committees thereof.
6. The above remuneration payable to him shall be subject to the limits of 5% and 10% of the net profits of the company, as the case may be as laid down in section 309 of the Companies Act, 1956 read with schedule XIII to the Companies Act, 1956 and the overall limit of 11% of the net profits of the company as laid down in Section 198(1) of the said Act.
7. He shall be liable to retire by rotation.

In compliance with the provisions of section 309 of the Companies Act, 1956, the terms of remuneration specified above is placed before the members in the annual general meeting for their approval.

The above may be treated as an abstract required under section 302 of the Companies Act, 1956. There is no written agreement in this regard.

Sh. Ashis Das, being concerned, is interested in this resolution. None of the other directors of the company is concerned or interested in the resolution. Your Directors, therefore, recommend the resolution for your approval.

ITEM NO. 12

Presently, equity shares of your company are listed at the stock exchanges at Mumbai, Delhi, Kolkata, Ahmedabad, Chennai and the National Stock Exchange.

Trading volumes of the company's equity shares in stock exchanges other than BSE and NSE are extremely low. With extensive networking of BSE and NSE terminals, the investors have access to trade and deal in the company's securities across the country. It is therefore, felt that continued listing with above mentioned four stock exchanges are yielding no benefit and does not provide any significant tangible advantage to the members of the company.

It is proposed to get voluntary de-listing of company's shares from the four stock exchanges at Delhi, Kolkata, Ahmedabad and Chennai in accordance with SEBI (Delisting of Securities) Guidelines, 2003. Consent of members is sought for voluntary de-listing of the company's existing equity shares, as well as equity shares that may be issued and listed in future pursuant to the requirements of clause 24(a) and other applicable provisions of the Listing Agreement, pending approval of the de-listing application made by the company, from the said stock exchanges at Delhi, Ahmedabad, Chennai and Kolkata as proposed in the special resolution.

The Board recommends the resolution for approval of members.

None of the directors of the company are interested or concerned in the proposed resolution.

ADDITIONAL INFORMATION : As required in terms of clause 49 of the listing agreement.

Brief Profile of new directors and the directors, who retire by rotation and are eligible for re-appointment:

Sh. T.R. Sridharan

Sh. T.R. Sridharan has about forty years of experience in international banking, capital markets, administrative and operational portfolios in domestic banking. He is Ex-Chairman & Managing Director of Canara Bank. He has five years experience as member of BIFR. He is currently involved in the evaluation of "Country Financial Accountability Assessment (CFAA)" of various countries, as a consultant for the World Bank.

Outside Directorship: Optimus Outsourcing Solutions Limited (Director), K.N.R. Constructions Limited (Director).

Committee Membership: Audit Committee of Optimus Outsourcing Solutions Limited (Member).

Sh. B.D. Gupta

Sh. B.D. Gupta, aged about 70 years, is M.Com from Rajasthan University and is an Associate Member of the Institute of Cost & Works Accountants of India. He has about 45 years of experience in finance, management and business strategies.

Currently, he is Senior Advisor to Chairman, Oil & Natural Gas Corporation of India – a top Oil and Gas PSU and most valuable company of India, advising on strategic and financial planning issues. He is also Chairman of Board of Governors of an Oil business school and a Governor of Advisory Board of University of Petroleum & Energy Studies.

From 1995 to November, 2001, Sh. B.D. Gupta worked as Executive Director of J.M. Morgan Stanley Ltd., a joint venture investment banker (between a top private merchant banker and a number one international investment bank). He was responsible for corporate advisory, financial consultancy, corporate restructuring, M&A activities, investment banking and relationship with large Corporates and PSUs.

From early 1990 to November, 1994, the Director (Finance) of Indian Oil Corporation Ltd. – the only Indian Fortune – 500 company during the relevant period, as a Whole-time Director on its Board of directors.

Earlier assignments during twenty-eight years of experience in various positions, in all stages of project – execution, starting from conceptualization, feasibility studies, project reports, execution, monitoring, commissioning and operations and financial and human resource policy initiatives.

Widely traveled all over the world in connection with finalization of oil imports and foreign borrowings and as a member of Government of India delegations and International Conferences on Oil and Money, and in connection with investment banking activities like marketing of GDRs/ADRs, road shows etc.

Outside Directorship: Cosmo Ferrites Limited (Director), Metal-junction Services Limited (Director), Supreme Infrastructure (I) Limited (Director), KLG Systel Limited (Director).

Committee Membership: Chairman of Audit Committee of Cosmo Ferrites Limited, Metal-junction Services Limited and Supreme Infrastructure (I) Limited. Member of Investor Grievance Committee and Remuneration Committee of Supreme Infrastructure (I) Limited.

Sh. V.S. Jain

Sh. V.S. Jain superannuated on 31st July 2006 as Chairman of Steel Authority of India Limited (SAIL), which is the largest steel producing company in India, and ranks 6th largest corporate body in India in terms of turnover aggregating US\$ 7 billion.

SAIL, the 16th largest steel producer internationally, has reached new heights under the leadership of Mr. V.S. Jain. Accomplishing the biggest turnaround in India's corporate sector, Sh. Jain has led SAIL to record performance in physical as well as financial parameters.

Known for his acumen in quick and commercially astute business decisions, SAIL under his leadership has become one of the most profitable enterprise in India, and a major force in the Indian industry. During his tenure SAIL has received excellent rating under the 'MoU system of performance monitoring' of the Government of India, and the company's Bhilai Steel Plant adjudged the best operating integrated steel plant of the country, winning the coveted "Prime Minister's Trophy". SAIL also bagged coveted golden trophy of SCOPE for outstanding performance amongst PSUs for the year 2004-05.

Sh. Jain served SAIL from 1994 to 2002 as Director (Finance) and from 2002 to 2006 as Chairman.

Sh. Jain began his professional career in Indian Oil Corporation (IOC), where he spent around 25 years in various capacities, *inter alia* Joint Financial Controller from 1984 to 1992 and Executive Director from 1992 to 1994.

Sh. Jain is a Fellow of the Institute of Chartered Accountants of India as well as the Institute of Cost and Works Accountant of India. He was a rank holder (6th position) in CA Exam, and secured the top rank in northern India. He awarded Gold Medal in Management Accountancy while pursuing ICWA.

Sh. Jain has been an active member of several professional bodies.

- Board member of IISI (International Iron & Steel Institute) – the foremost international association of steel companies
- Trustee of Indian Steel Alliance – the association of Indian steel majors
- Member of National Council, Confederation of Indian Industries
- Council Member, Indian Institute of Metals
- Member, PSU Advisory Board, Indian School of Business
- Member Governing Council, Centre for Corporate Governance
- Member Trustee, Indian Business Trust for HIV/AIDS

Outside Directorship: Nil

Committee Membership: Nil

Sh. Ashis Das

Sh. Ashis Das has about 39 years rich experience in Indian Steel Industry. He has spent more than 30 years at Rourkela Steel Plant in various operation/management areas of integrated steel plant, including 2 years as Executive Director (Works), when he was over all in-charge of total operations of the Plant. He has also headed the consultancy division of SAIL for more than 2 years. Before joining Jindal Stainless, he held the position of Director (Personnel) in SAIL and was a member in the Board of Director of SAIL, heading Corporate Personnel, HRD and Administration functions, besides Business and Corporate Planning, restructuring and divestment, corporate quality, computer and total Raw Material divisions of SAIL. He has functioned as Chairman of M.E.L (a Ferro-Alloy producing company under SAIL), Chairman of USIT (a joint venture of SAIL & UEC in the IT field), and Director on the Board of Indian Iron & Steel Company as well as 4 JV-Companies.

During his tenure as ED (Works) of SAIL, Sh. Ashis Das has turned around RSP from a negative gross margin to a positive operating profit through 11% growth in production of saleable steel. He had implemented the Financial and Business Restructuring Plan of SAIL, prepared and executed a Revival turnaround Plan of IISCO & contributed in preparation of Corporate Plan-2012 and IT Road map for SAIL.

Sh. Ashis Das is B. Sc. (Engg)- Mechanical and also holds Diploma in SQC & OR.

Outside Directorship: Nil

Committee Membership: Nil

Sh. Suman Jyoti Khaitan

Sh. Suman Jyoti Khaitan is an eminent corporate lawyer and is a partner of M/s. Suman Khaitan & Company, New Delhi, which is one of the leading law firms in India dealing in the field of arbitration, banking and finance, corporate and commercial laws etc. He is a director of various companies.

Outside Directorship: Hindustan Vidyut Products Limited (Director), Jindal Poly Films Limited (Director), KPL International Limited (Director), Lumax Industries Limited (Director), Oriental Carbon & Chemicals Limited (Director), Rameshwara Transport Limited (Director), Suman Khaitan Advisory Services Private Limited (Director), Gopi Nursery Private Limited (Director).

Committee Membership: Member of Remuneration Committee and Investors / Shareholders Grievance Committee of Hindustan Vidyut Products Limited, Chairman of Audit Committee and Remuneration Committee of Jindal Stainless Limited, Member of Remuneration Committee of Lumax Industries Limited, Member of Remuneration Committee and Investors / Shareholders Grievance Committee of Oriental Carbon & Chemicals Limited.

Dr. L.K. Singhal

Dr. L.K. Singhal has about thirty four years of experience in the stainless steel industry, research and development and engineering consultancy. He was head of R&D in Alloy Steel Plant, Durgapur; Chief Metallurgist, Tata Metals & Strips Ltd., Navsari; Assistant General Manager, Salem Steel; General Manager (Technology) SAIL and Chairman-cum-Managing Director of MECON. He holds a Bachelors degree in Engineering from BHU, Varanasi and a doctorate from the University of Oxford.

Outside Directorship: Nil

Committee Membership: Chairman of Shareholders/ Investors Grievance Committee of Jindal Stainless Limited, Member of Audit Committee and Remuneration Committee of Jindal Stainless Limited.

By order of the Board

(A.P. Garg)
Sr. Vice President
& Company Secretary

Registered Office:
O.P. Jindal Marg,
HISAR - 125 005.
2nd September, 2006

FOR ATTENTION OF SHAREHOLDERS

1. The register of members and share transfer books of the company will remain closed from Saturday, 9th September 2006 to Wednesday, 20th September 2006 (both days inclusive).
2. Members are requested to immediately notify to the Registrar 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.
3. Members holding shares in the same name under different ledger folios are requested to apply for consolidation of their folios and send relevant share certificates to the company.
4. Section 109A of the Companies Act, 1956 extends nomination facility to all shareholders. They may like to avail it.
5. The company's equity shares are compulsorily traded in dematerialised form by all investors. Shareholders are requested to get the shares dematerialised in their own interest.

REQUEST TO THE MEMBERS

- * **Members having old share certificates of Jindal Strips Limited (now Nalwa Sons Investments Limited) issued prior to the Scheme of Arrangement and Demerger between Jindal Strips Limited (now Nalwa Sons Investments Limited) and Jindal Stainless Limited and members having share certificates of erstwhile Jindal Ferro Alloys Limited are hereby requested to surrender their share certificates to THE COMPANY SECRETARY, NALWA SONS INVESTMENTS LIMITED (FORMERLY: JINDAL STRIPS LIMITED, O.P. JINDAL MARG, HISAR – 125 005 (HARYANA) INDIA, to enable both Nalwa Sons Investments Limited and Jindal Stainless Limited to issue new share certificates. Members having share certificates of Nalwa Sons Investments Limited (Formerly: Jindal Strips Limited) having distinctive numbers in the range of 60000001-65136163 are not required to surrender their share certificates.**
- * **Members having old share certificates of Jindal Stainless Limited comprising shares of face value of Rs.10/- each are hereby requested to surrender their share certificates to THE COMPANY SECRETARY, JINDAL STAINLESS LIMITED, O.P. JINDAL MARG, HISAR – 125 005 (HARYANA) INDIA to issue new share certificates of face value of Rs.2/- each.**
- * Members should keep a record of their specimen signature before lodging shares with the company to prevent the possibility of a difference in signature at a later date.
- * Members should quote their email addresses, telephone / fax numbers to get a prompt reply to their communications.
- * Members may give their valuable suggestions for improvement of our investor services.
- * Members desiring any information/clarification on the accounts are requested to write to the company at least seven days in advance, so as to enable the management to keep the information ready at the annual general meeting.
- * As a measure of economy, copies of the annual report will not be distributed at the meeting. Members are requested to bring along their copies.
- * Members/proxies are requested to bring the attendance slip, duly filled in.
- * Members are requested to inform immediately their bank account particulars in the following manner, if not informed earlier, to the Registrar, in respect of equity shares in physical mode and to their depository participants (DPs) in respect of equity shares held in dematerialised form, so that the same could be incorporated in payment warrants after their names to avoid fraudulent encashment:

Folio No. / DP Id No. & Client Id No.

Name

Bank A/c. No.

Name of the Bank

Signature of Shareholder
- * Members attending the AGM and desiring to go round the factory, are requested to inform a week in advance so that necessary arrangements are made.

IN DEFERENCE TO THE GOVT. POLICY, NO GIFTS WILL BE DISTRIBUTED AT THE A.G.M.

DIRECTORS' REPORT

To,

The Members,

Your directors have pleasure in presenting the 26th annual report on the business and operations of your company together with the audited statement of accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

Description	Year Ended 31.03.2006	Year Ended 31.03.2005
		(Rs. in Crore)
Gross Sales & Income from Operations	3494.61	3422.42
Less: Excise duty	311.47	227.38
Net Sales/Income from Operations	3183.14	3195.04
Add: Other Income	19.47	5.68
Total Sales/Income	3202.61	3200.72
Profit before Interest, Depreciation and Tax	433.93	514.98
Less: Interest/Bank Charges	55.04	26.18
Depreciation	136.12	130.99
Loss on transfer of division under Scheme of Arrangement	2.55	-
Provision for Tax	26.59	87.94
Provision for Deferred Tax	53.03	23.98
Fringe benefit tax	0.72	-
Previous year taxation adjustment	0.15	0.04
Net Profit after Tax	159.73	245.85
Add / (Less):		
Amount brought forward	21.18	22.03
Debenture Redemption Reserve written back	-	7.25
Profit available for Appropriation	180.91	275.13
Less: Proposed dividend on Equity Shares	20.89	-
Interim Dividend on Equity Shares	-	26.38
Corporate Dividend Tax	2.93	3.57
Debenture Redemption Reserve	43.95	10.00
General Reserve	80.00	214.00
Balance carried to Balance Sheet	33.14	21.18

SHARE CAPITAL

During financial year ended 31st March, 2006, the company has allotted 39,07,028 equity shares of Rs.2/- each upon conversion of 2141 - 0.5% Foreign Currency Convertible Bonds of USD 5000 each. The company has also allotted 1,67,34,984 equity shares of Rs.2/- each (Underlying 83,67,492 GDS) upon conversion of 1540 - 2.5% Foreign Currency Convertible Bonds of USD 5000 each. After the above allotments, paid up equity share capital of the company has increased to Rs.26,11,03,712/- divided into 13,05,51,856 equity shares of Rs.2/- each.

ALTERATION IN THE REGISTERED OFFICE OF THE COMPANY

On 7th August 2006, marking the seventy sixth birth anniversary of Late Sh. O.P. Jindal, founder of O.P. Jindal group, the Haryana State Government has changed the name of 'Delhi Road' to 'O.P. Jindal Marg', therefore, the address of the registered office of the company now stands as 'O.P. Jindal Marg, Hisar - 125 005 (Haryana), India'.

DIVIDEND

Your directors are pleased to recommend a dividend of Re.1.60 per equity share of Rs.2/- each for the financial year 2005-06.

Dividend, if approved at the ensuing annual general meeting, will be paid to those shareholders whose names appear in the Register of Members of the company as on 9th September, 2006. Under the Income Tax Act, 1961, the receipt of dividend is tax free in the hands of the shareholders.

RESTRUCTURING OF THE COMPANY

The scheme of arrangement for hiving-off of Life Style Product Division and Architecture Division of the company to Austenitic Creations Private Limited and Jindal Architecture Limited respectively w.e.f. 1st April 2005 was approved by the Hon'ble High Court of Punjab & Haryana, Chandigarh, vide its Order dated 13th July 2006. The Order of the Hon'ble High Court of Punjab & Haryana, Chandigarh was filed with the Registrar of Companies, Delhi & Haryana on 1st August 2006. Pursuant to the said scheme, Life Style Product Division and Architecture Division of Jindal Stainless Limited with all the properties, assets, rights and powers have been transferred to and vest in the respective transferee companies without further act and deed w.e.f. 1st April 2005.

OPERATIONS

Hisar – Hot Rolling Division

The company is in the process of enhancing its stainless steel melting capacity at Hisar from 5,50,000 tons per annum as of March, 2006 to 720,000 tons per annum by March, 2007. During the previous year, the company commissioned slab caster, stainless steel plate annealing line and shot blasting machine in the HR Division.

During the current financial year, the company has planned to upgrade the steel making technology to save energy cost and improve the product quality. An additional finishing mill stand is planned to be added in the steckel mill. This shall improve the yield of the product and also enhance the capability to produce hot rolled coils in thickness lower than 2.8 mm. A new 220-tpd oxygen plant is also being added.

Apart from enhanced production capabilities, certain quality initiative like Six Sigma and Kaizen were started in the year 2005-06 which resulted in increased operational efficiency and yield. The technical alliance with Nishin Steel, Japan, a global leader in the stainless steel industry has helped in knowledge sharing for improved performance.

During the financial year 2005-06, the steel melt shop produced 547,352 tonnes of stainless steel slabs and blooms as compared to 530,185 tonnes during the previous year. The hot rolling production during the year was 538,290 tonnes as compared to 537,873 tonnes during the previous year.

Hisar – Cold Rolling Division

Cold rolling division has taken a leap ahead by setting up international quality equipments and process lines to produce a broad range of high quality semi finished and finished products to cater the diverse customer requirements, worldwide.

As a major initiative, various projects have been identified and are in advance stages of implementation. With the process of upgradation of facilities and adding of new equipments the operational efficiencies and product performance is bound to increase alongwith providing a spectrum of new product range.

The cold rolling facility at Hisar is also being enhanced from 150,000 tons per annum as on March 2005 to 275,000 tons per annum by June, 2007.

During financial year 2005-06, the production of Hisar cold rolling division was at 89,731 MT of cold rolled strips, 11,869 MT of cold rolled special steel and 486 MT of coin blanks.

Hisar – Special Product Division:

During financial year 2005-06, the Special Product Division produced 101600 MT of Precision Stainless Strips as compared to 77348 MT produced during the last financial year. During this financial year, two new major equipments, namely Skin Pass mill & Narrow CRAP line, were added to augment the production as well as to enhance the Quality of the Products. The Capacity utilization, during the year, exceeded 100%.

To meet the growing demand for Precision Stainless Strips, the division has taken necessary steps to augment the production capacity. As part of the capacity enhancement plan, new bright annealing facilities along with a stretch leveler is being planned to be commissioned during next financial year.

Vizag Division

The division produced 30,861 MT of High Carbon Ferro Chrome during the year 2005-06 as compared to 35,698 MT during the preceding year. The production during the year decreased by 4,837 MT, due to shutdown of 16 MVA furnace w.e.f. 31st December, 2005 for refractory relining and renovation. The relining and renovation works have been completed and the furnace is operational. Sales during the year 2005-06 was at 31,063 MT, inclusive of export of 1,630 MT. The turnover of Vizag division during the year accounted for Rs.131.80 crore as compared to Rs.94.15 crore during the previous year.

The division is planning to put up a Metal Recovery Plant to recover the metal from the accumulated Slag of High Carbon Ferro Chrome. After commissioning of this plant, the total recovery per annum would be about 500 MT of High Carbon Ferro Chrome.

Integrated stainless steel project at Orissa / Chromite Mines

The Company has already initiated the process of setting up a Greenfield Integrated Stainless Steel Project at Jajpur, Orissa. The state of Orissa is rich in mineral resources viz. Chrome, Manganese, Iron Ore, Coal etc. The Company has already taken possession of 678 Acres of Land from Industrial Development Corporation of Orissa and the balance 562 Acres has been acquired and the formalities for undertaking possession is underway.

A part of the Ferro Alloys facility of constituting 2 SAFs which have a capacity to produce 150000 MTPA Ferro Chrome has commenced operation. The other Ferro Alloys facilities like High Carbon Ferro Manganese of 50000 MTPA and Low Carbon Silico Manganese of 50000 MTPA are in progress and expected to commence production during first half of 2007-08.

The Company is also setting up a coal based 2 X 125 MW Captive Power Plant which is expected to be commissioned by the first half of next year. The work relating to setting up a recovery type Coke Oven Battery with a capacity of 425000 MTPA is in progress and it is expected to commence production during first half of next financial year. Construction of other enabling Central Utilities and facilities are going on full swing.

The Company has entered into a Memorandum of Understanding with the Government of Orissa for setting up Stainless Steel project at Orissa.

During the financial year 2005-06, the Chromite Mines division has produced 82201 MT of Chrome Ore and 34318 MT of Concentrate Ore as compared to 58075 MT and 32972 MT respectively during previous year. The development of lumpy zone has already been started and lumpy ore production is expected to start in next financial year.

MARKETING

Exports

Your company has recorded a growth in sales that stands at Rs.3494.61 crore, with exports representing 34.26% of the total sales. During the year, the quantum of exports has gone up by 14% as compared to the figures of the previous year. Sale of Cold Rolled products have gone up by 50%. Blade Steel Exports grew by 33% over the previous year.

Market development activities have been initiated in South Africa, Latin America, CIS countries etc. A new office has been established in Russia for procurement of raw material and sourcing orders. Company has also planned to establish a warehouse in Italy.

Domestic Market

During the year, your company was the only supplier of stainless steel to DMRC through ROTEM for production of Metro Coaches. Your company was the only company which was approved by Ministry of Defence for supply of stainless steel coils for Water Browser sector.

Domestic CR quantity has increased from 60,167MT (2004-2005) to 77,126MT (2005-2006), showing an increase of 28%. Domestic turnover in CR has increased by 28.26%. Sales of Special grades have also increased.

SUBSIDIARY COMPANIES

The company has six subsidiaries namely Jindal Stainless UK Limited, Jindal Stainless FZE, Dubai, PT. Jindal Stainless Indonesia, Jindal Stainless Steelway Limited, Jindal Architecture Limited and Austenitic Creations Private Limited.

As per Central Government's approval under section 212(8) of the Companies Act, 1956 vide its letter dated 3rd May, 2006, the annual accounts of the said subsidiary companies are not attached with this report. Any shareholder / investor of the company or its above said subsidiary companies, interested in obtaining the annual accounts of the subsidiary companies and the related detailed information may write to the Company Secretary at registered office of the company.

The annual accounts of the subsidiary companies would be open and accessible for inspection by shareholder / investor at registered office of the company and registered office of the subsidiary companies on any working day except holidays till the date of the annual general meeting between 11.00 a.m. and 1.00 p.m.

JINDAL STAINLESS UK LIMITED

Globally steel industry is experiencing growth over last 2-3 years after a long period of global demand stagnancy. Key growth drivers have been infrastructure development and strong manufacturing sector growth in Asia, Middle East and other Eastern European countries. Going forward the demand for steel and especially stainless steel is expected to further grow in emerging economies. In order to diversify business risks, expand its global presence and develop new markets for its products, a subsidiary company was set up in UK.

Jindal Stainless UK Limited would act as a nodal point and would help in servicing markets like Italy, Russia and other European countries. Presence in this region would enable the company to take advantage of emerging business opportunities in the entire European region. This subsidiary company would also act as a holding company, which may further extend its arms to other markets like Italy and Russia.

Other than acting as trading hubs for respective markets, this company would also help in expanding businesses through inorganic growth opportunities.

JINDAL STAINLESS FZE, DUBAI

Jindal Stainless FZE would act as trading hub and would service markets like Africa, Singapore and Middle East. Other than being a major global trading center, Middle East is fast emerging as a financial hub and is also poised for extensive growth in manufacturing sector due to its significant financial resources. A presence in this region would enable the company to take advantage of emerging business opportunities. This subsidiary company would also act as a holding company, which may further extend its arms to other markets like Singapore.

Other than acting as trading hubs for respective markets, this company would also help in expanding businesses through inorganic growth opportunities.

PT. JINDAL STAINLESS INDONESIA

For PT. Jindal Stainless Indonesia (PTJSI) this was the first full year of operation, the production of cold rolled products (excluding one month's shutdown due to upgradation of Z Mill electricals) was 42,131 tons (previous period 11,142 tons) representing adjusted annual capacity utilization of 92% (previous period 67%).

PTJSI continues to produce cold roll material in three grades namely 304, JSL AUS and J4 in line with product availability and customer's requirements in the target markets. The company was able to increase penetration in the domestic Indonesian market with sales volume increasing by more than 50% from about 800 tons per month level at the beginning of the year to about 1200 tons per month towards the end of the year. PTJSI's major customer base for export lies in markets of China, Vietnam, Malaysia, Philippines and Korea besides serving select customers in US, Europe, Middle East and Indian sub continent.

During the full year of operations for the financial year ended 31st March 2006, PTJSI achieved sales of 45,594 MT (previous period 9623 MT) amounting to sales of IDR 626.8 billion (previous period IDR 169.8 billion).

JINDAL STAINLESS STEELWAY LIMITED

Jindal Stainless Steelway Ltd. (JSSL), the first Service Center for Stainless Steel in India, which was commissioned on 1st July, 2005, exactly as per project schedule.

Established as a strategic interface between the largest Integrated Stainless Steel Manufacturer in the country and the ever growing Stainless Steel Consumers, the objective was to provide highly customized product and services in order to reach out to a large number of customers with diverse requirements in terms of quantity, quality and service.

Starting with a humble production and dispatch figure of about 1100 MT in July 2005, the tonnage has steadily grown to about 4000 MT per month by the end of the last financial year. The figures have surpassed even the projections at the project stage, considered for determining the viability of the project.

JSSL has achieved ISO 9000 certification and has already started working towards getting certified under standards ISO 14000, OHSAS and TS 16949. Six Sigma has also been introduced for continuous improvement through problem solving.

JINDAL ARCHITECTURE LIMITED

Architecture division, which was an integrated design, engineering and construction unit has been hived off as a subsidiary company and is now known as Jindal Architecture Limited.

Not only will it continue to contribute towards the development and usage of stainless steel in Architecture, Building & Construction (ABC) sector, but will also provide comprehensive services towards execution of large turnkey projects wherein stainless steel is used extensively.



AUSTENITIC CREATIONS PRIVATE LIMITED

Art d'inox, the Life Style Product division has been hived off as a subsidiary company and is now known as Austenitic Creations Private Limited.

With an aim to take stainless steel beyond its traditional usage patterns in the kitchen, Art d'inox, a brand of the lifestyle products division has created a lifestyle statement. Art d'inox has evolved several stages to its current avatar in creating an aspirational value for the well-heeled urban Indian & international consumer.

Apart from the way Art d'inox has grown in the Indian market, the brand has been able to expand its reach in several countries throughout the world including USA and countries in Europe, Asia and Africa. Internationally, the brand has been identified with Design Innovation, Superior Quality, International Appeal and functional design and is growing very rapidly.

Art d'inox has also expanded its footprint across India - available through more than 300 Multibrand Outlets & Boutique stores. Art d'inox has also opened its Exclusive Boutiques in Delhi, Gurgaon and Mumbai. The current expansion plan includes increasing the number of Exclusive Boutiques in major metro cities across India & increasing the capacity of the factory.

Art d'inox is India's only ISO-9001:2001, ISO-14001, 18001 Lifestyle brand.

QUALITY AND ISO CERTIFICATIONS

In order to promote the adoption of a continuous improvement approach, Jindal Stainless Limited has obtained ISO 9001:2000, OHSAS 18001:1999 and ISO 14001:2004 certifications. During the year, the environment management system has been upgraded to its latest version i.e. ISO 14001:2004. The revised system has been already audited and certified by a (external) third party audit. These systems ensure that quality, safety, health and environmental issues are given utmost priority. The systems that have been set up, ensure that the quality of the product is world class, and at the same time, the processes that go into making such products, are environmental friendly and risk free, thus providing a conducive work environment for all. The internal control systems are continuously monitored and improved by means of a rigorous internal audit system, that includes a cross functional team of auditors specifically trained for the above purpose. With these systems in place, we aim to strive from customer satisfaction to customer delight.

RESEARCH & DEVELOPMENT

The Research & Development department at Hisar continues to work to upgrade quality, improve processes and develop new products with an objective to enter new segments as well as to keep pace with changing market dynamics. To achieve cost competitiveness and to maintain the leadership position as a reputed stainless steel manufacturer, R&D gives emphasis on innovation, process optimization and diversification.

The Research & Development group closely interacts with marketing department to study, analyze and develop potential market segments where new products can be introduced or existing material can be upgraded with additional attributes without sacrificing economy.

The Research & Development group also participates in the national and international forums to educate customers on product characteristics and applications.

INFORMATION TECHNOLOGY

In today's world companies and institutions that intelligently manage their enterprise environment possess an inherent competitive advantage. Not only do they achieve a faster resolution of IT-related problems, but they reduce end-user downtime, increase employee productivity, and operate more efficiently. Keeping this in mind Jindal Stainless Limited has implemented SAP and has also outsourced its entire IT services to Accenture India Private Limited, which is a global management consulting, technology services and outsourcing company.

SAP is world's No.1 ERP software which helps the organization to meet regulatory compliance challenges by combining business process insight with an integrated technology platform, so that we can realize the benefits of improved operational efficiencies and corporate transparency at a sustainable cost.

SIX SIGMA

In 2005 the company initiated the implementation of Six Sigma for continual improvement in Customer Service and thus enhancing profitability. In the first wave we developed our DNA (Black Belts and Green Belts) through training employees and initiated various improvement projects focused towards cost reduction and customer service.

In 2006, key focus areas are to achieve Global benchmarks in Service and Quality and work with customers to provide them with best in class products. The team of Six Sigma resources would strive to make a positive impact on our bottom line and enhance our customer satisfaction index.

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TOTAL PRODUCTIVE MAINTENANCE (TPM)

Jindal Stainless is implementing TPM to achieve maximum efficiency of all resources. The company has achieved the "TPM excellence award -First category" in year 2004-2005. Presently the company is working towards achieving "Excellence in consistent TPM commitment award -First category".

JIPMS consultant is reviewing performance bi-monthly and the progress has been appreciative.

To make TPM implementation more effective, the company has undertaken initiatives like organising TPM quiz competition etc. to enhance knowledge.

Jindal Stainless had also participated in 6th Total Productive Maintenance National Conference held in Chennai, in March 2006. Our management team had shared experience on Elimination of Internal Quality Defects by using the ten steps methodology as laid down in Quality Maintenance Pillar of TPM, the presentation was widely appreciated.

PAYMENT OF LISTING FEE

The equity shares of your company are listed on stock exchanges at Mumbai, Delhi, Ahmedabad, Kolkata, Chennai and National Stock Exchange.

The annual listing fee for the year 2006-07 has been paid to all the stock exchanges where equity shares of your company are listed.

FIXED DEPOSITS

The company has accepted / renewed deposits amounting to Rs.9,22,99,000 during financial year 2005-06. There were no overdue deposits on 31st March, 2006, save Rs.84,43,000 which remained unclaimed. Out of these, the deposits amounting to Rs.58,45,000 have since been repaid / renewed upto 31st July, 2006.

PARTICULARS REGARDING THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The Information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required to be disclosed under The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-1 forming part of this report.

PARTICULARS OF EMPLOYEES

As required by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the directors' report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders of the 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.

AUDITORS AND AUDITORS' REPORT

M/s. Lodha & Co. and M/s. S.S. Kothari Mehta & Co., Statutory Auditors of the company, hold office until the conclusion of the forthcoming annual general meeting and are eligible for re-appointment. The company has received letters from them to the effect that their appointments, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of sub section (3) of Section 226 of the Companies Act, 1956, for such appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

COST AUDITORS

Application for approval of the Central Government for re-appointment of M/s. Ramanath Iyer & Co., Cost Accountants as Cost Auditors for conducting the cost audit for the financial year ending 31st March, 2007 was made to Deptt. of Company Affairs, New Delhi and Central Government has accorded its approval vide its letter dated 2nd June, 2006.

DIRECTORS

On 26th December 2005, the Board of directors appointed Sh. T.R. Sridharan as Additional Director of the company and on 18th August, 2006 the Board of directors appointed Sh. Ashis Das and Sh. V.S. Jain as Additional Directors of the company. The Board of directors also elevated Sh. Ashis Das as Joint Managing Director & Chief Operating Officer (Orissa Division).

On 2nd September, 2006, the Board of directors elevated Sh. V.S. Jain as Managing Director & Chief Executive Officer and appointed Sh. B.D. Gupta as Additional Director.

Sh. Suman Jyoti Khaitan and Dr. L.K. Singhal, Directors, will retire at the annual general meeting by rotation and, being eligible, offer themselves for re-appointment.

Brief resume of the above directors, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership/ chairmanship of committees of the board, as stipulated under clause 49 of the listing agreement with the stock exchanges, are given in the section on Corporate Governance elsewhere in the annual report.

DEMATERIALISATION OF SHARES

The members are aware that the company's equity shares are under compulsory trading in dematerialised form for all categories of investors. The members are, therefore, again advised to get their shares dematerialised as trading of the shares will have to be in the electronic form only.

INSURANCE

All the properties and insurable interests of the company including buildings, plant and machinery, and stocks, wherever necessary and to the extent required, have been adequately insured.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2006 and of the profit of the company for the year ended on that date;
- (c) the directors 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
- (d) the directors have prepared the annual accounts of the company on a 'going concern' basis.

CORPORATE GOVERNANCE

A separate section on corporate governance and a certificate from the practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated under clause 49 of the listing agreement with the stock exchanges, form part of the annual report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the listing agreements with the stock exchanges is enclosed with this report.

ACKNOWLEDGEMENT

Your directors would like to express their grateful appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and shareholders during the year under review. Your directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the company.

for and on behalf of the Board of directors

New Delhi
2nd September, 2006

Savitri Devi Jindal
Chairperson

ANNEXURE I

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

a) Conservation of Energy

Energy conservation measures taken:

1. Co-jet system has been installed at steel melting furnace to improve electric power consumption and to improve productivity.
2. Intelligent refining system has been installed at AOD to reduce gas consumption and to improve productivity.
3. VFD has been installed on various AC motors of cooling tower fans and hydraulic fans.
4. Electric heating at various auxiliaries has been replaced by steam heating at power plant.
5. AC variable speed drive at descaling pump has been installed to reduce energy consumption at steckel mill.
6. Low efficiency AC motors are replaced by high efficiency motors.

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

1. New SVC system has been ordered for cold rolling division to improve power factor, quality of power and to reduce losses.
2. 220 KV sub station equipment has been ordered to take supply system at 220 KV which shall improve quality of power and shall reduce interruption.

c) Impact of above measures.

Reduction in power consumption per M.T. of sellable stainless steel and improve in quality of power and reduction in interruption.

FORM - "A"

Form for Disclosure of Particulars with respect to Conservation of Energy.

(excluding Ferro Alloys Divisions being not covered)

A. Power and Fuel Consumption	2005-06	2004-05
1. Electricity		
a) Purchased		
Units (in '000 Kwh) *	142638.39	59346.08
Total amount (Rs. in lacs)	5468.21	2326.75
Rate/Unit (Rs.)* Excluding exports to HSEB	3.83	3.92
b) (i) Own Generation through DG Sets		
Units (in '000 Kwh)	350040.30	323538.68
Units per litre of Oil	4.26	4.39
Cost /Unit (Rs.) *1	4.71	3.56
2. Fuel Oils (FO, FOLV, LDO, HSD)		
Quantity (Kilo Litre)*	115753.51	128833.95
Total cost (Rs. in Lacs)	18464.90	15815.25
Average rate/litre (Rs.)	15.95	12.28
* including fuel used for power generation.		
3. Coal / Coke		
Quantity (MT)	4536.57	2521.00
Total cost (Rs. in Lacs)	280.74	234.57
Average Rate/Kg. (Rs.)	6.19	9.30

4. Gases (Propane)			
Quantity (MT)		9261.26	6368.38
Total cost (Rs. in Lacs)		2773.58	1441.37
Average rate/Kg. (Rs.)		29.95	22.63
5. Gases (Ammonia)			
Quantity (MT)		930.03	834.37
Total cost (Rs. in Lacs)		168.16	166.71
Average rate/Kg. (Rs.)		18.08	19.98
B. Consumption per unit of production			
Production: Steel Strips, Plates, Flats, Bloom, Ingots, Ferro Chrome, Oxygen and Argon Gases.			
1. Electricity:			
(i) for alloys steel melting (unit/ton)	*2	487.13	453.91
(ii) for gas manufacturing (unit/cum)		0.85	0.93
(iii) for cold rolled stainless steel manufacturing (unit/ton)		566.18	544.52
(iv) for blade steel manufacturing (unit/ton)		1822.12	2546.64
2. Fuel Oils:			
(i) for alloys steel melting (litre/ton)		7.49	8.00
(ii) for cold rolled stainless steel manufacturing (litre/ton)	*3	3.63	9.61
(iii) for blade steel manufacturing (litre/ton)		17.59	84.58
3. Coal:			
(i) for alloy steel melting (MT/ton)		0.005	0.005
4. Gases (Propane):			
(i) for alloy steel melting (kg/ton)		0.35	-
(ii) for cold rolled stainless steel manufacturing (unit/ton)	*4	68.52	72.13
5. Gases (Ammonia):			
(i) for blade steel manufacturing (Kg/ton)	*5	37.07	46.68
(ii) For Cold Rolled Stainless Steel Manufacturing (Kg/ton)		5.18	5.23

The previous year's figures have been regrouped / rearranged where necessary.

Reasons for variations:

- *1 Increase in the power general cost : This was due to rise in the prices of fuel.
- *2 Power consumption was 487.13 kwh/mt against 453.91 kwh/mt because of change in product mix.
- *3 Decrease in fuel oil consumption : Consumption of fuel oils per ton was lower due to lower utilization of Boiler. Consumption of fuel oils per ton in case of Blade steel was lower due to conversion of oil fired furnaces to gas fired furnace which run on propane.
- *4 Decrease in propane consumption : Consumption of propane per ton was lower due to better efficiency / higher utilization of annealing furnaces.
- *5 Decrease in ammonia consumption : Consumption of ammonia per ton was lower due to better efficiency / higher utilization of bright annealing line and improvement in production process.

FORM – “B”

Form of Disclosure of Particulars with respect to Technology Absorption 2005-06.**1) Specific areas in which Research & Development were carried out by the company**

- Development of JSL-Tube grade for pipe and tube industry through slab + steckel mill route. Field trails have successfully been made.
- Development and commercialization of 204 Cu (UNS 20430) flat products for western markets. The corrosion resistance properties of this grade are comparable to JSL-AUS while drawability as well as cold rolling properties are superior to J4.
- Development of J4 with 16% Chromium. This has superior corrosion resistance and drawability compared to conventional J4. The ISSF has concurred for its use in overseas markets as Type 15.5 Cr – 1 Ni.
- Development of 304 with high yield strength to tensile ratio for overseas market.
- Development of 301L in different tempers for Metro applications.
- Improvement in yield of some 200 series stainless steel.
- Improvement in yield of razor blade steel strips.
- Development of Nickel-Silver, Aluminium Bronze for coinage applications.
- Development of martensitic stainless steel 410 DB for auto sector
- Development of down stream technology of hot rolling, annealing, pickling and cold rolling of 80Ni-20Cr Nichrome, a high oxidation resistance alloy for furnace industry.

2) Benefits derived

- Quality improvement
- Yield improvement
- Cost reduction
- Diversification of product range
- Newer application areas
- Value addition

3) Future plan of action

- Extensive study and characterization of 200 series grades for their corrosion behavior, deep drawability and properties for weldability.
- Development of Super-ferritic Stainless Steels like Type 444 for auto and marine sectors
- Pilot scale production of Invar-36
- Development of 80Cr-20Ni Nichrome through slab ingot route.
- Development of cold rolled product of Duplex 2205 grade for tube and pipe application
- Commissioning narrow strip grinding machine for precision strip products.
- Installation of Bell annealing furnace with improved cooling efficiency for ferritic and high nickel grades.
- Process modeling and automation in AOD
- Installation of twinstand steckel mill for hot rolling of high strength steels to thinner gauges
- Development of mono phase austenitic X8CrNiNb1613 for power sector
- Development of newer decorative finishes on stainless steel sheet for export
- Development of an expert system for prediction of slab quantity.

4) Expenditure on R & D

		(Rs. in Lacs)
a) Capital	-	24.69
b) Revenue	-	21.91
Total	-	46.60
c) Total R&D expenditure as a percentage of total turnover	-	0.01%

5) Technology absorption, adaptation and innovation
1. Efforts made, in brief, towards technological absorption, adaptation and innovation:

- Commissioning of briquetting plant and submerged arc furnace for recovery of valuable metals from waste.
- Commissioning of a new slab caster designed and built in-house with added features to augment production and productivity.
- Installation and commissioning of a new continuous pickling line to handle narrow strips.
- Installation and commissioning of a plate annealing line with improved temperature control and uniform cooling facilities.
- Installation of Nobag make slitter for making fine slits of thin gauge strips with precise control of width.
- Under a know-how transfer program contracted with M/s. Nisshin Steels Ltd., Japan, two batches of JSL engineers visited Nisshin Plant and two batches of experts from Nisshin visited JSL, Hisar for acquiring advanced technology for specific grades in the area of manufacturing, quality improvement and application.

2. Benefits derived as a result of the above efforts:

- Waste utilization
- Cost reduction
- Process improvement.
- Quality improvement.

6) Foreign Exchange Earnings & Outgo

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets the for products and services and export plans	Mentioned in Directors' Report.
	(Rs. in Crore)
b) Foreign Exchange Earnings	1124.37
Foreign Exchange Outgo	78.27

CORPORATE GOVERNANCE

Your company recognizes communication as a key element of the overall corporate governance framework and therefore, emphasizes on seamless and efficient flow of relevant communication to all external constituencies. Your company follows the principles of fair representation and full disclosure in all its dealings and communications. The company's annual reports, results presentations and other forms of corporate and financial communications provide extensive details and convey important information on a timely basis. Your company has fully complied with all mandatory requirements of corporate governance in all material aspects. A report on corporate governance as per listing agreement is given below:

1. Company's philosophy on the code of corporate governance:

Your company's philosophy on corporate governance envisages the alignment of the highest levels of transparency, accountability and equity, in all facts of its operations and in all its interactions with its stakeholders including shareholders, employees, government and lenders. The company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a sustained period of time.

2. Board of directors:

The composition of Board of directors presently consists of twelve directors as detailed hereunder indicating their status as independent or otherwise against their respective names:

Executive Directors:

Sr. No.	Name of Director	Particulars	Status
1.	Sh. Ratan Jindal	Vice Chairman & Managing Director	Promoter
2.	Sh. V.S. Jain	Managing Director & Chief Executive Officer	Non-Independent
3.	Sh. Ashis Das	Jt. Managing Director & Chief Operating Officer (Orissa Division)	Non-Independent
3.	Sh. R.G. Garg	Dy. Managing Director	Non-Independent
5.	Sh. N.C. Mathur	Director – International Marketing	Non-Independent
6.	Sh. Rajinder Parkash	Executive Director	Non-Independent

Non Executive Directors:

Sr. No.	Name of Director	Particulars	Status
1.	Smt. Savitri Devi Jindal	Chairperson	Promoter
2.	Sh. Naveen Jindal	Director	Promoter
3.	Sh. Suman Jyoti Khaitan	Director	Independent
4.	Dr. Lokesh Kumar Singhal	Director	Independent
5.	Sh. T.R. Sridharan	Director	Independent
6.	Sh. B.D. Gupta	Director	Independent

Apart from the sitting fee paid for attending Board/Committee meetings, the non executive directors, except Smt. Savitri Devi Jindal and Sh. Naveen Jindal who are promoter directors and transactions relating to them have been covered under related party segment, did not have any material pecuniary relationship or transactions with the company, during the year 2005-06.

During financial year 2005-06, seven Board meetings were held, dated 21st April, 2005, 10th June, 2005, 13th July, 2005, 31st October, 2005, 15th December, 2005, 31st January, 2006 and 20th February, 2006. The maximum time gap between any two meetings was not more than 4 calendar months.

Attendance of the directors at the Board meetings, last annual general meeting and number of other directorships and chairmanships / memberships of committee of each director in various companies:

Sr. No.	Name of the Director	Attendance Particulars		No. of total directorships and committee memberships/ chairmanships in public limited companies (Excluding remuneration committee)		
		Board meetings	Last AGM	Total Directorships	Committee Memberships	Committee Chairmanships
1.	Smt. Savitri Devi Jindal	4	No	8	-	-
2.	Sh. Ratan Jindal	6	Yes	8	-	-
3.	Sh. Naveen Jindal	0	No	5	1	-
4.	Sh. V.S. Jain #	0	No	1	-	-
5.	Sh. Ashis Das *	0	No	1	-	-
6.	Sh. R.G. Garg	6	Yes	2	2	1
7.	Sh. Suman J. Khaitan	7	Yes	7	2	1
8.	Dr. L.K. Singhal	7	Yes	1	1	1
9.	Sh. N.C. Mathur	7	No	2	-	-
10.	Sh. Rajinder Parkash	2	Yes	4	2	1
11.	Sh. T.R. Sridharan **	1	No	3	1	-
12.	Sh. B.D. Gupta ##	0	No	5	1	3

Appointed as additional director w.e.f. 18th August, 2006 and elevated as Managing Director & Chief Executive Officer w.e.f. 2nd September, 2006

* Appointed as additional director and elevated as Joint Managing Director & Chief Operating Officer (Orissa Division) w.e.f. 18th August, 2006

** Appointed as additional director w.e.f. 26th December, 2005

Appointed as additional director w.e.f. 2nd September, 2006

None of the directors on the Board is a director on more than 15 companies (as specified in section 275 of the Companies Act, 1956) and is a member of more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the listing agreement) across all the companies in which he/she is a director.

As on 2nd September, 2006, non executive directors hold following number of shares in the company:

Name of non executive director	No. of shares
Smt. Savitri Devi Jindal	88573
Sh. Naveen Jindal	113448
Sh. Suman Jyoti Khaitan	Nil
Dr. Lokesh Kumar Singhal	Nil
Sh. T.R. Sridharan	Nil
Sh. B.D. Gupta	Nil

BOARD MEETINGS, ITS COMMITTEE MEETINGS AND PROCEDURES

A. Scheduling and selection of agenda items for Board meetings

- The company holds minimum of four Board meetings in each year, which are pre-scheduled after the end of each financial quarter. Apart from the four pre-scheduled Board meeting, additional Board meeting are convened by giving appropriate notice at any time to address the specific needs of the company. The Board may also approve permitted urgent matters by passing resolutions by circulation.
- The meetings are usually held at the company's corporate office at New Delhi.

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- (iii) All divisions/departments in the company are encouraged to plan their functions well in advance, particulars with regard to matters requiring discussion/approval/decision in the Board/Committee meetings. All such matters are communicated to the company secretary in advance so that the same could be included in the agenda for the Board meetings.
- (iv) The Board is given presentations covering finance, sales and marketing, and the major business segments and operations of the company, before taking on record the results of the company for the preceding financial quarter at each of the pre-scheduled Board meeting. The Board's annual agenda includes recommending dividend keeping in view the dividend policy, determining directors who shall retire by rotation and recommending appointment of directors/ auditors, authentication of annual accounts and approving Directors' Report, long term strategic plan for the company and the principal issues that the company expects to face in the future, Board meetings also take note and review functions of its Committees.
- (v) The Chairperson/ Vice Chairman & Managing Director and the company secretary in consultation with other concerned persons in the top management, finalise the agenda papers for the Board meetings.

B. Board material distributed in advance

- (i) Agenda papers are circulated to the directors, in advance, in the defined agenda format. All material information is incorporated in the agenda papers for facilitating meaningful, informed and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same are placed on the table at the meeting with specific reference to this effect in the agenda.
- (ii) With the permission of Chairman/ Chairperson of the meeting, additional or supplementary item(s) on the agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated in advance for the meeting.

C. Recording minutes of proceedings at Board meeting

The company secretary records the minutes of the proceedings of each Board and Committee meetings. The minutes of Board/ Audit Committee meeting are circulated with the agenda papers of the next Board/ Audit Committee meeting for confirmation of members. The minutes of the proceedings of a meeting are entered in the minutes book within thirty days from the conclusion of the meeting and signed by the Chairman / Chairperson of the meeting of the next Board/ Audit Committee meeting.

D. Post meeting follow up mechanism

The guidelines for Board and Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the action taken on decisions of the Board and Committees. A report on action taken on the decisions of the last Board/ Audit Committee meeting is placed in the next Board/ Audit Committee meeting.

E. Compliance

The company while preparing the agenda, notes on agenda, minutes etc. of the meeting(s) and holding and conducting the meetings, is responsible for and is required to ensure adherence to all the applicable provisions of law. Certificate relating to compliance of provisions of law is placed in every Board meeting.

3. Audit Committee:

I. Composition and attendance:

An Audit Committee constituted in terms of section 292A of the Companies Act, 1956 as introduced by the Companies (Amendment) Act, 2000 and as per requirement of clause 49 of the Listing Agreement, comprises following non-executive directors:

1.	Sh. Suman Jyoti Khaitan	-	Chairman
2.	Dr. L.K. Singhal	-	Member
3.	Sh. T.R. Sridharan *	-	Member

* Inducted in the Audit Committee w.e.f. 29th April, 2006

Sh. A.P. Garg, Sr. Vice President & Company Secretary, is the Secretary of the audit committee.

During financial year 2005-06, 5 Audit Committee meetings were held on 21st April 2005, 10th June 2005, 13th July 2005, 31st October 2005 and 31st January 2006. Sh. Suman Jyoti Khaitan and Dr. L.K. Singhal were present in all the five meetings.

II. Terms of Reference:

Terms of reference of the Audit Committee are as per section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the stock exchanges.

4. Remuneration Committee:

Composition and attendance:

The Remuneration Committee of the company comprises the following directors:

1. Sh. Suman Jyoti Khaitan	-	Chairman
2. Sh. Naveen Jindal	-	Member
3. Dr. L.K. Singhal	-	Member

During financial year 2005-06, one meeting of Remuneration Committee was held on 29th March, 2006, which was attended to by all the members of the committee.

Terms of Reference:

To determine the remuneration packages of the executive directors.

Remuneration Policy:

The objectives of the remuneration policy are to motivate executive directors to excel in their performance and recognize their contribution. Remuneration of executive directors largely consists of base remuneration and perquisites.

Remuneration of Executive Directors:

Details of the remuneration paid to the Managing / Executive Directors for the financial year ended 31st March, 2006 is given below :

(Amount in Rs.)

Name of Directors	Designation	Salary	Commission	Contribution to PF	Others	Total
Sh. Ratan Jindal	Vice Chairman & Managing Director	13800000	24940802	1656000	-	40396802
Sh. R.G. Garg	Dy. Managing Director	1302000	-	156240	945198	2403438
Sh. N.C. Mathur	Director – International Marketing	973200	-	116784	683275	1773259
Sh. Rajinder Parkash	Executive Director	744000	-	99572	470765	1314337

At present, the company does not have any stock option plan as part of remuneration package for any director. All are on contractual service.

Sitting fees paid to Non Executive Directors :

The sitting fees paid for the year ended 31st March, 2006 to the directors are as follows: Sh.Naveen Jindal, Rs.10,000/-, Sh. Suman Jyoti Khaitan, Rs.1,30,000/-, Dr. L.K. Singhal, Rs.1,30,000/-, Sh. T.R. Sridharan, Rs.10,000/-. No commission has been paid to the non-executive directors.

5. Shareholders'/ Investors' Grievance Committee:

Shareholders'/ Investors' Grievance Committee of the company comprising Dr. L.K. Singhal, Chairman, Sh. R.G. Garg and Sh. Rajinder Parkash, looks into the grievances of the shareholders concerning transfer of shares, payment of dividend and non receipt of annual report and recommend measure for expeditious and effective investor service.

The company has duly appointed share transfer agent (R&T Agent) for servicing the shareholders holding shares in physical or dematerialised form. All requests for dematerialisation of shares are likewise processed and confirmations thereof are communicated to the investors within the prescribed time. The committee also monitors redressal of investors' grievances.

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As required by the stock exchanges, the company has appointed Sh. A.P. Garg, Sr. Vice President & Company Secretary as the Compliance Officer to monitor the transfer process and liaison with the regulatory authorities. The company complies with the various requirements of the listing agreements and the depositories with respect to transfer of shares, the requisite certificates are sent to them within the prescribed time.

No. of shareholders' complaints received during the year ended 31st March, 2006 : 251

Number of complaint not solved to the satisfaction of shareholders: Nil

No. of pending complaints : Nil

Share Transfer Committee:

The Board of directors has delegated the power of approving transfer of securities and other related formalities to the share transfer committee comprising Sh. Ratan Jindal, Vice Chairman & Managing Director, Sh. Rajinder Parkash, Executive Director, Sh. A.P. Garg, Sr. Vice President & Company Secretary and Sh. V.M. Joshi, Vice President, Abhipra Capital Limited.

6. General Body Meetings:

The last three annual general meetings were held at registered office of the company at O.P. Jindal Marg, Hisar – 125 005 (Haryana), as per details given below:

Year	Date	Day	Time
2002-03	12.12.2003	Friday	11.30 a.m.
2003-04	29.9.2004	Wednesday	11.30 a.m.
2004-05	27.9.2005	Tuesday	11.30 a.m.

No. of special resolutions passed during last three AGMs

AGM	No. of special resolutions
2002-03	4
2003-04	1
2004-05	0

No special resolution was put through postal ballot last year nor it is proposed to put any special resolution to vote through postal ballot this year.

7 Disclosures :

(i) Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large:

The company has not entered into any transaction of material nature with the promoters, the directors or the management, their subsidiaries or relatives etc. that may have any potential conflict with the interests of the company.

(ii) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years; no penalties or strictures have been imposed on the company by the stock exchanges or SEBI or any other statutory authorities relating to the above.

(iii) Whistle Blower Policy

The employees of the company are accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the audit committee.

(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

The company has complied with the mandatory requirement of this clause.

Compliance with non-mandatory requirements

(1) The Board

The office of non-executive Chairperson of the company is maintained by the company at its expenses.

Independent directors do not have a tenure exceeding, in the aggregate, nine years on the Board of the company.

(2) Remuneration Committee

The company has setup remuneration committee of directors to recommend / review overall compensation structure and policies of the directors.

(3) Shareholders' Rights

The quarterly results of the company are published in one English (National daily) and one Hindi newspaper, having wide circulation in Haryana. Further, the quarterly results are also posted on the website of the company – www.jindalstainless.com. The results are also available on www.sebiedifar.nic.in. In view of the forgoing, the half yearly results of the company are not sent to the shareholders individually.

(4) Audit Qualifications

During the period under review, there were no audit qualifications in the company's financial statements. The company continues to adopt best accounting practices.

(5) Training of Board members /Mechanism for evaluating non-executive Board members

The Board of directors of the company comprises of 6 non-executive directors. The directors appointed on the Board are from diverse fields relevant to the company's business and have long-standing experience and expertise in their respective fields. They have considerable experience in managing large corporates and have been in public life for decades. The enormously rich background of the Directors is of considerable value to the company.

Non-executive directors add substantial value through the deliberations at the meetings of the Board and committees thereof. To safeguard the interests of the investors, they also play a controlling role. In important committees of the Board like the audit committee, the remuneration committee etc., they play an important role by contributing to the deliberations of the committee meetings. Besides contributing at the meetings of the Board and committees, the non-executive directors also have off-line deliberations with the management of the company and also add value through such deliberations.

(6) Whistle Blower Policy

The employees of the company are accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the audit committee.

8. Means of Communication:

- | | |
|---|---|
| i) Quarterly Results | The quarterly, half yearly and yearly financial results of the company are faxed /sent to the stock exchanges after they are approved by the Board. These are also published in the prescribed format as per the provisions of the listing agreement. |
| ii) Newspapers wherein results normally published | Business Standard (English), Amar Ujala (Hindi) <i>(for the year 2005-06)</i> |
| iii) Any website, where displayed | www.jindalstainless.com |
| iv) Whether it also displays official news releases | The company gives important Press Releases. |
| v) The Presentations made to institutional investors or to the analysts | The company holds Analysts' Meet from time to time. |

9. GENERAL SHAREHOLDER INFORMATION

9.1 Annual General Meeting :

- Date and Time : 29th September 2006 at 11.30 a.m.
- Venue : At registered office of the company at O.P. Jindal Marg, Hisar – 125 005 (Haryana).
(On 7th August 2006, the Haryana State Government has changed the name of 'Delhi Road' to 'O.P. Jindal Marg' on seventy sixth birth anniversary of Late Sh. O.P. Jindal, founder of O.P. Jindal group. Now the address of the registered office of the company is 'O.P. Jindal Marg, Hisar – 125 005 (Haryana)')

9.2 Financial Calendar 2006 – 2007 (Tentative)	:	Annual General Meeting – (Next Year) Board Meetings Results for quarter ended June 30, 2006 Results for quarter ending September 30, 2006 Results for quarter ending December 31, 2006 Results for quarter ending March 31, 2007	September 2007 July, 2006 October, 2006 January, 2007 April, 2007
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9.3 Book Closure date : 9th September 2006 to 20th September 2006 (both days inclusive) for annual general meeting.

9.4 Dividend payment date : Immediately after the annual general meeting.

Nomination facility The Companies (Amendment) Act, 1999 has provided for a nomination facility to the shareholders of the company. Your company is pleased to offer the facility of nomination to shareholders and shareholders may avail this facility by sending the duly completed Form 2B as revised vide Notification no. GSR 836(E) dated 24th October, 2000, Department of Company Affairs, to the Registrar of the company.

9.5 (a) Listing of Equity Shares on Stock Exchanges at	:	The Delhi Stock Exchange Association Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002. The Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. National Stock Exchange of India Ltd., Exchange Plaza, 5 th Floor, Plot No. C/1, G – Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.	The Madras Stock Exchange Limited, Exchange Building, Post Box No.183,11, Second Line Beach Chennai - 600 001(T.N.). Ahmedabad Stock Exchange Ltd. Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ahmedabad - 380 015. The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata - 700 001.
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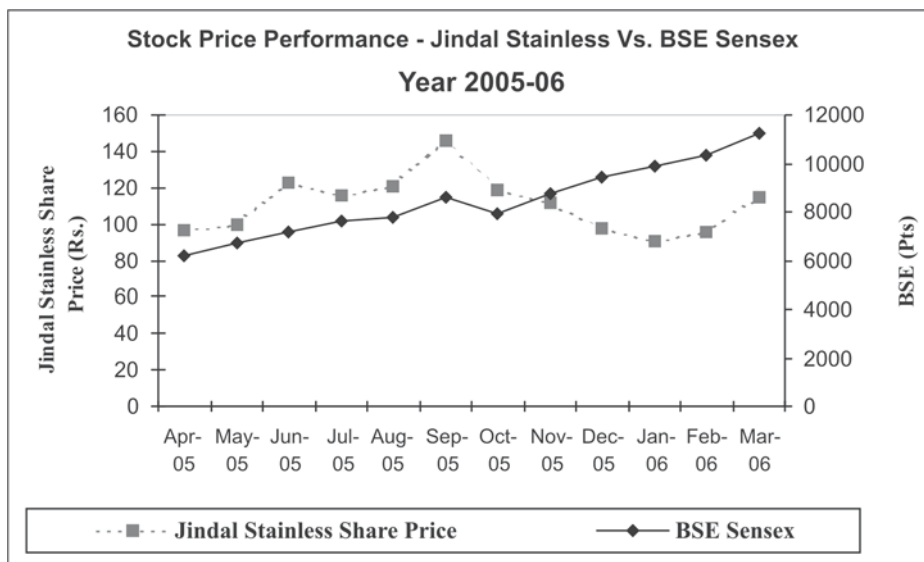
The company confirms that it has paid annual listing fees due to all the above stock exchanges.

- (b) Listing of Foreign
Currency Convertible
Bonds on Stock
Exchange at** : Luxembourg Stock Exchange,
P.O. Box 165, L – 2011, Luxembourg.
Listing of GDSs at Luxembourg Stock Exchange is in process.
- (c) Debenture Trustee** : UTI Bank Limited
Maker Towers “F”, 13th Floor,
Cuffee Parade, Colaba, Mumbai – 400 005.

9.6 Stock Code	:	Trading Symbol - Bombay Stock Exchange (Demat Segment)	532508
		Trading Symbol - National Stock Exchange (Demat Segment)	JSTAINLESS
		Trading Symbol - Delhi Stock Exchange (Demat Segment)	10141
		Trading Symbol - Ahmedabad Stock Exchange (Demat Segment)	28531
		Trading Symbol - Calcutta Stock Exchange (Demat Segment)	20256
		Trading Symbol - Madras Stock Exchange (Demat Segment)	JINDSTAIN
	International Securities Identification Number (ISIN)	:	INE 220G01021
Reuters Code	:	JIST.BO (Bombay Stock Exchange)	
		JIST.NS (National Stock Exchange)	

9.7 Stock Market Data	:	National Stock Exchange (NSE)	Bombay Stock Exchange (BSE)		
		(In Rs.)	(In Rs.)		
		Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April, 2005		104.90	86.10	104.90	92.00
May, 2005		103.00	93.50	102.90	94.15
June, 2005		144.50	92.70	140.00	92.50
July, 2005		140.00	114.05	130.00	114.50
August, 2005		130.45	110.70	130.50	114.20
September, 2005		164.75	118.00	165.00	120.55
October, 2005		152.60	108.55	152.30	108.20
November, 2005		130.75	110.65	132.40	110.10
December, 2005		114.75	94.30	114.80	94.30
January, 2006		112.60	89.55	108.20	89.60
February, 2006		98.00	82.50	98.25	82.65
March, 2006		117.20	94.50	117.40	94.50

9.8 Share price performance in comparison to broad based indices – BSE Sensex



Note : Based on the Monthly closing data of Jindal Stainless (Rs. per share) and BSE Sensex (Pts)

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9.9 Registrar and Transfer Agent : Abhipra Capital Limited
Ground Floor – Abhipra Complex, Dilkhush Industrial Area,
A-387, G.T. Karnal Road, Azadpur, New Delhi – 110 033.
Phone No. (011) 27127362, 27249773-74 Fax No. (011) 27215530

9.10 Share Transfer System : Share transfer requests are registered within 15 – 20 days.

9.11 Distribution of shareholding as at 30th June, 2006:

By size of Shareholding		Shareholders		Equity Shares Held	
		Number	Percentage	Number	Percentage
1 - 2500	54852	97.81	17922231	13.73	
2501 - 5000	646	1.15	2316589	1.77	
5001 - 10000	293	0.52	2096241	1.61	
10001 - 15000	77	0.14	934067	0.72	
15001 - 20000	47	0.08	837495	0.64	
20001 - 25000	20	0.04	465022	0.36	
25001 - 50000	54	0.10	1909239	1.46	
50001 & Above	93	0.17	104070972	79.71	
TOTAL	56082	100.00	130551856	100.00	
Physical Mode	18267	32.57	45311081	34.71	
Electronic Mode	37815	67.43	85240775	65.29	

By category of shareholders	Equity shares held	
	Number	Percentage
Promoters	52975395	40.58
FIs/Banks/Mutual Funds	19076906	14.61
Corporate Bodies	24573420	18.82
FIs	7727726	5.92
NRIs/OCBs	2506112	1.92
Public	23692297	18.15
Total	130551856	100.00

9.12 Dematerialisation of shares : 65.29% of the shares have been dematerialised upto 30th June, 2006. Trading in equity shares of the company is permitted only in dematerialized form.

9.13 Outstanding GDRs/ADRs/ Warrants or any convertible instruments, conversion dates and likely impact on equity. : During financial year 2004-05, the company has issued 0.5%, 12000 Foreign Currency Convertible Bonds (FCCBs) due 2009 of USD 5000 each for an aggregate amount of USD 60 million. During the financial year ended 31st March, 2006, 2141 – 0.5% bonds amounting to USD 10.70 million have been converted into 39,07,028 equity shares of Rs.2/- each. Unless previously redeemed, the balance 9859 may be converted at any time on or after 22.1.2005 and upto 9.12.2009 into equity shares of Rs.2/- each of the company at conversion price of Rs.119.872 per share, subject to adjustment in certain events.

9.14 Plant locations : **HISAR** **KOTHAVALASA**
 O.P. Jindal Marg, Jindal Nagar,
 Hisar – 125 005 Kothavalasa – 535 183
 (Haryana). Dist. Vizianagaram (A.P.)
ORISSA
 Kalinga Nagar Industrial Complex,
 P.O. Danagadi – 755 026
 Dist. Jajpur (Orissa) India

9.15 Investor Correspondence : Name : Sh. V.M. Joshi
 For transfer/ dematerialisation of shares, payment of dividend on shares, query on Annual Report and any other query on the shares of the company. Designation : Vice President
 Address : Abhipra Capital Limited
 (Unit: Jindal Stainless Limited)
 Ground Floor – Abhipra Complex,
 Dilkhush Industrial Area,
 A-387, G.T. Karnal Road, Azadpur,
 New Delhi – 110 033.
 Phone No. : (011) 27127362, 27249773-74
 Fax No. : (011) 27215530

Shareholders holding shares in electronic mode should address all their correspondence relating to change of address, bank mandate and status to their respective Depository Participants (DPs).

10. OTHER INFORMATION

(a) Risk Management Framework:

The company has in place mechanisms to inform Board members about the risk assessment and minimization procedures and periodical reviews to ensure that risk is controlled by the executive management through the means of a properly defined framework.

(b) Code of Conduct

The company has laid down a code of conduct for all Board members and senior management personnel of the company. The code of conduct is available on the website of the company. The declaration of Dy. Managing Director is given below:

To the Shareholders of Jindal Stainless Limited

Sub.: Compliance with Code of Conduct

I hereby declare that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Board of directors.

Place : New Delhi
 Date : 18th August 2006

R.G. GARG
 Dy. Managing Director

General Disclosures

- (i) A summary of transactions with related parties in the ordinary course of business is periodically placed before the audit committee;
- (ii) The mandatory disclosure of transactions with related parties in compliance with Accounting Standard AS-18 is a part of this annual report.
- (iii) In preparing with annual accounts in respect of the financial year ended 31st March, 2006, no accounting treatment was different from that prescribed in the Accounting Standards;
- (iv) The company has a Code of Conduct for Prevention of Insider Trading in the shares of the company for directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and
- (v) The company did not make any public issue, rights issue or preferential issue of any security during the financial year ended 31st March, 2006.

**CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE
UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

To the members of Jindal Stainless Limited

We have examined the compliance of conditions of Corporate Governance Procedure implemented by Jindal Stainless Limited for the year ended on March 31, 2006 as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of 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.

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

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchanges have been complied with in all material respect by the company and that no investor grievance(s) is/are pending for the exceeding one month against the Company as per the records maintained by the Shareholders Grievance/Allotment & Transfer Committee of the Board.

B.D. Tapriya

Place: New Delhi

Company Secretary

Dated: 20th April, 2006

C.P. No. 2059

CERTIFICATE

We, R.G. Garg, Dy. Managing Director and Arvind Parakh, Director (Finance) of Jindal Stainless Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the balance sheet and profit and loss account (both consolidated and stand alone) of the company for the year ended March 31, 2006 and all its schedules and notes to accounts, as well as the cash flow statements.
2. To the best of our knowledge and information:
 - a. The financial statements and other financial information included in this report, fairly present in all material respects, the financial conditions, results of the operations and cash flows of the company as of and for the periods presented in the Annual report, and are in compliance with the existing accounting standards and/or applicable laws and regulations;
 - b. The financial statements and other financial information do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;
 - c. These statements together present a true and fair view of the company's affair and are in compliance with existing accounting standards, applicable laws and regulations.
 - d. There is no continuing failure of internal controls and all controls are placed in the company.
3. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or in violation of the Company's code of conduct.
4. We along with the Company's other certifying officers i.e. the functional heads, are responsible for establishing and maintaining disclosures controls and procedures for the financial reporting of the Company, and we have:-
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including transactions entered into with Foreign subsidiaries and all related party is made known to us by the officials in these entities, particularly during the period in which the Annual report is being prepared and
 - b. Evaluated the effectiveness of the company's disclosure, controls and procedures
5. We, along-with the other certifying officers of the company, have disclosed based on our most recent evaluation, wherefore applicable, to the Company's Statutory auditors and to the Audit Committee of the board of Directors:
 - a. All significant deficiencies in the design or operation of the internal controls, which we are aware could adversely affect the company's ability to record, process, summarize and report financial data and identified any material weakness in the internal controls and taken steps to rectify these deficiencies;
 - b. Whether there were significant changes in the internal controls over financial reporting subsequent to the date of our most recent evaluation, including any corrective actions with regards to significant deficiencies and material weakness;
 - c. Fraud, if any which we have become aware of and that involves management or other employees who have a significant role in the Company's internal control systems over financial reporting;
 - d. Significant changes in the accounting policies during the year, if any, have been disclosed in the notes to the financial statements.

The above is conveyed to the board of Directors of the Company.

Delhi, Aug. 18, 2006

R.G. Garg
Dy. Managing Director

Arvind Parakh
Director (Finance)

MANAGEMENT DISCUSSION & ANALYSIS

Global Stainless Steel Industry structure and growth paradigms

Global Stainless Steel industry is undergoing a paradigm shift in its operating dynamics. The shift is visible on two counts, reflecting the potential future markets and evolution of new categories. The geographical shift of the market is towards Asia, which is emerging as the major production and consumption base for Stainless Steel. This is pronounced with a consistent growth of around 15% in these markets whereas the growth in the other traditional markets comprising of the developed world including America, Europe and Japan is just 6%. In the last decade, consumption in China has consistently increased by more than 20% annually while consumption in India is growing by 10-11% annually. During this period, global consumption growth has been a modest 5%.

Market analysts indicate that Asia's share in Global Stainless Steel production is expected to increase by 50% with China and India being the major drivers.

With high GDP growth, positioning in the economic life cycle, forthcoming large-scale infrastructure development, higher population in countries like China, South Korea, Thailand and India has further propelled the growth.

Another significant factor driving the industry is the product composition. In light of higher Nickel prices, Cr-Mn (Chrome Manganese) Stainless Steel grade is gaining higher market share. Usage of Cr-Mn Stainless Steel grades is growing even in Europe. Historically, Cr-Ni (Chrome Nickel) grades of Stainless Steel accounted for 78% of Stainless Steel consumption. As a result of rise and volatility in Nickel prices the growth in the 200 series grade is outpacing the traditional grades like 300 series.

During 2005, consumption of Cr-Ni grade has gone down to 64.5% and 200 series grades of Stainless Steel have gone up to 10% while the consumption growth in 400 Series is around 25.5%.

The Domestic Outlook

India is poised for an explosive growth in industrial activity and prioritizing infrastructure development is a necessity for the Government to meet the needs of the industry. GDP is expected to grow at a rate above 8% annually. Economic environment, in terms of opening up of foreign investment, easy access to international funding and low interest rates is making the environment more conducive for capital investments.

Infrastructure development in any country drives the Stainless Steel demand and its consumption. Annual per capita Stainless Steel consumption in India is barely 1.1 kg, as compared to 4.1 kg in China and 15 to 20 kg in other developed countries. It has been observed that in any country, which is undergoing strong economic expansion and industrial growth, per capita consumption of Stainless Steel rises rapidly, thereby reinforcing our belief in the potentials within the domestic market.

Consumption growth in India, in the last decade, has been around 10-11%, which has been predominantly led by increased consumption in the household and white goods segment. In China, 20-22% of Stainless Steel consumption is accounted for by the Architecture, Building and Construction (ABC) sector as against barely 2 to 3% in India. Further globally, the Automotive, Railways & Transport (ART) sector accounts for 12-14 % of total Stainless Steel consumption as against less than 3% in India. This is a credible indicator that consumption in India is bound to grow phenomenally led by increased consumption in the ABC & ART segments.

The current annual construction growth is estimated at 30% and it is expected that Stainless Steel consumption in this segment would increase from 3% to about 12% by 2015. Major investments in high quality construction in retailing, shopping malls, showrooms, multiplexes, commercial complexes, fast food outlets, IT parks, industrial estates, airports and hospitals are expected to be the key drivers of Stainless Steel consumption in the domestic market.

The ART sector is also expected to contribute significantly to Stainless Steel demand growth. The automobile industry is witnessing one of the fastest growth phases with significant volume growth in the domestic market. In addition, auto exports from India is increasing with the country emerging as the local hub for export of vehicles and spare parts. New opportunities are emerging in auto exhaust systems and other areas in transportation, which are expected to offer significant growth to Stainless Steel usage.

The Indian Railways have announced purchase of more than 22,000 wagons. It is expected that a major part of this requirement will have Stainless Steel coaches. Aping the success in developed countries the thrust is also to use more and more Stainless Steel in passenger coaches because of its fire resistant and crash resistant properties.

After the success of Delhi Metro, metro railways are being planned in cities like Bangalore, Hyderabad, Mumbai, Ahmedabad, Chennai etc., besides expansion in Delhi, which will also require large number of Stainless Steel coaches.

Opportunities and threats

Jindal Stainless is the India's largest integrated manufacturer of Stainless Steel products, with integrated melting, hot rolling and cold rolling facilities. Jindal Stainless produces standard and specialty stainless steels, in 200, 300 and 400 Series grades.

Jindal Stainless is a global leader in the production of 200 Series grade of Stainless Steel, which has become increasingly popular for certain end use applications due to its ability to substitute higher Nickel grades like 300 Series products.

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We believe that there is a significant opportunity for our products, both in India and in the international market. To capitalize on this opportunity, Jindal Stainless is focusing on expanding its operations to increase the product mix to cater to a diversified customer requirement and also obtain the benefits of economies of scale. Jindal Stainless is investing significant management attention and capital on expansion and modernization of its facilities in Hisar, on the development of an integrated Ferro-Alloys and thermal power project in the state of Orissa and on PT. Jindal Stainless Indonesia.

Apart from meeting upgraded facility requirements, the focus is on development of innovative and value added products. This will allow accessing a wider customer base and provide an edge to compete internationally.

Jindal Stainless operates in a dynamic environment and its operations are affected by various factors beyond its control. The Stainless Steel industry, globally as well in India is cyclical in nature, sensitive to general economic conditions and correlated to conditions of other related industry segments including future economic downturns or stagnant economy is a potential threat as factors like increased production of 200 series grades by competition, change in end usage patterns, fluctuations in price and availability of key raw materials etc. It is also imperative to successfully manage our ongoing expansion plans in Hisar and at Orissa, as the inability to do so efficiently could adversely affect business results.

New Vistas

Jindal Stainless has adopted a strategy for the last few years to shift products to the application specific and value added segments of Hot Rolled and Cold Rolled products. This strategy is paying off and is reflected in the performance of the company. Jindal Stainless continues to retain leadership position in domestic Stainless Steel Market and achieving increased penetration in the global market as well.

Risks and Concerns

The operating results of the company might fluctuate in future due to a number of factors, many of which are beyond control. Results of the operations during any fiscal year and from period to period are difficult to predict. The company's business and results of operations may be adversely affected by various factors like slowdown in growth of Stainless Steel consumption in the Indian and global markets, fluctuations in the price and availability of key raw materials, including nickel and ferro alloys, change in tariffs and levies etc.

Internal Control Systems

Jindal Stainless has an independent Internal Management Audit Department, which draws up an extensive program of internal audit having periodic review and monitoring of the internal control systems and suggesting measures for its improvement. The guiding principles reflect our business ethics policy and are an integral part of the internal control system. Internal Audit is being carried out by an external agency, M/s. K.S. Mehta & Co., Chartered Accountants. In addition, the statutory audits are being carried out as an internal control process in the area of finance, energy conservation, fire and safety etc.

Jindal Stainless is an ISO 9001:2000, ISO 14001 and OHSAS 18001 certified company indicating that documented systems and procedures are in place for ensuring a consistent product quality, compliance to environmental standards and a safe and healthy environment for its stakeholders.

The company believes that it has established sufficient and adequate internal control systems and procedures to ensure for :

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations and contracts.

Financial Performance with respect to Operational performance

Jindal Stainless continues to maintain the leadership position in domestic stainless steel market and has made gradual penetration in the international market as well. The financial performance of a company depends upon the operational performance and operating margins. JSL employs world-class technologies and manufacturing practices with contemporary management style to manufacture products at competitive costs to satisfy the market and customer requirements.

The financial highlights for the year 2005-06 are as under:

Sales for the year 2005-06 were at Rs.3494.61 crore, with export of Rs.1197.32 crore for the same year.

Gross profit (earnings before interest, depreciation and tax) was Rs.433.93 crore. Operation profit, excluding other income stood at Rs.414.46 crore.

Other income was Rs.19.47 crore.



Interest expenses were Rs.55.04 crore.

The provision for taxation was Rs.26.59 crore and provision for deferred tax was Rs.53.03 crore.

Net profit was Rs.159.73 crore.

Company's paid up equity share capital as on 31st March, 2006 stood at Rs.26.11 crore.

Earning Per Share (EPS) for the year is Rs.14.26, and Diluted Earning Per Share is Rs.11.02.

Human Capital

JSL strongly believes that its human capital makes a decisive difference in creating sustainable growth. The desire and ability of our workforce to continually upgrade their knowledge & skills and rapidly convert them into performance is our ultimate objective thereby providing a competitive advantage.

The Human Resource initiatives are focused on enhancing leadership capabilities through Competency Development and Talent Management interventions. This has enabled JSL to build a robust inventory of talents through attraction & retention of competent people. During the year we have built a strong team of professionals who are engaged in executing the Greenfield Integrated Stainless Steel Project at Orissa and expansion cum modernisation process at Hisar.

JSL's human capital is poised to take the leap ahead and gain international recognition for sustained growth through Cost leadership, Product innovation and Customer satisfaction. The company has a team of over 2400 employees and the management appreciates the dedicated efforts of our employees.

Environment, Health & Safety Management

Jindal Stainless, Hisar has an Integrated Management System in place for controlling, monitoring and reviewing all EHS activities in line with the requirements of existing Environmental Legislations/ Standard and exercising best Industrial Code of Practices. Our operations at Hisar continues to pursue the values of IS/ISO9001: 2000: QMS, IS/ISO-14001: 2004: EMS, OHSAS: 18001: 1999 and TPM Certification towards Environment Friendly and Safe Production.

Jindal Stainless, Hisar has initiated the practices of Six Sigma throughout the Company. The management is also in practice of conducting regular QSHE Meeting, SHE Pillar Meeting, SHE Meetings along with Internal Audits of QMS, EMS and OHSAS for system efficacy.

Jindal Stainless has received the prestigious "Greentech Gold Safety Award" for the year 2005. The Company has also initiated several activities like Emission Control for Green House Gases, CDM Projects and increasing Green canopy cover towards sustainable development.

Social Concerns

Jindal Stainless is committed to the welfare of its employees in particular and society in general. The group runs a 200 bed hospital known as N.C. Jindal Institute of Medical Care & Research which also houses facilities for treatment of cancer for the unprivileged, a residential public school for girls, Vidya Devi Jindal School under the CBSE curriculum and a co-education school, O.P. Jindal Modern School at Hisar, besides a public school at Delhi (N.C. Jindal Public School) with a strength of over 3000 students.

Jindal group has also decided to dedicate a Cancer hospital (O.P. Jindal Cancer Hospital & Research Institute) at Hisar with state-of-the-art equipments, amenities and facilities.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

AUDITORS' REPORT

TO THE MEMBERS OF JINDAL STAINLESS LIMITED

We have audited the attached Balance Sheet of JINDAL STAINLESS LIMITED, as at 31st March, 2006 and the Profit & Loss Account and also the Cash Flow Statement of the Company 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.

We conducted our audit in accordance with 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.

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (herein after called The Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 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 and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
 - c) The reports on the accounts of the branch audited by other Auditors have been forwarded to us and have been appropriately dealt with by us in preparing our report;
 - d) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account and with the audited accounts from the branch;
 - e) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956;
 - f) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2006 from being appointed as a Director of the company in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - g) 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 thereon, give the information required by the Companies Act, 1956 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - II. In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - III. In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **LODHA & CO.**
Chartered Accountants

For **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants

(N. K. LODHA)
Partner
Membership No. 85155

(ARUN K. TULSIAN)
Partner
Membership No. 89907

Place : New Delhi
Date : 18th August, 2006

ANNEXURE TO AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date to the Members of JINDAL STAINLESS LIMITED on the Financial Statements for the year ended 31st March, 2006.

1. (a) The company has maintained proper records in respect of its fixed assets showing full particulars, including quantitative details and situation of fixed assets.
- (b) We have been informed that certain fixed assets of the company have been physically verified by the management according to a phased programme of periodic verification which, in our opinion, is reasonable having regard to the size of the company and nature of fixed assets. As informed, no material discrepancies between book records and physical inventory have been noticed in respect of the fixed assets physically verified during the year.
- (c) As per records and information and explanations given to us, no substantial part of fixed assets has been disposed off during the year.

2. (a) As informed, the inventory of the company at all its locations, except stocks lying with third parties, in transit and part of the stores and spares, have been physically verified by the management either at the end of the year or after the year end, and in respect of stores and spares, there is perpetual inventory system and a substantial portion of the stocks have been verified during the year. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, the procedures of 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) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory; in respect of process stock, the records are updated as and when physical verification has been carried out. The discrepancies noticed on such physical verification of inventory as compared to book records were not material.
3. (a) As informed to us, the company has given unsecured loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect of said company and the year-end balance of such loan is Rs. 3258.08 Lacs and Rs. 2773.12 Lacs respectively. 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 Companies Act, 1956.
- (b) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions on which aforesaid loan has been given are not, prima facie, prejudicial to the interest of the Company.
- (c) In respect of aforesaid loan, the amount, principal as well as interest, is repayable on demand (within five years from sanction of loan) and the party is regular in repaying the amounts as and when demanded.
- (d) Read with clause 3 (c) above, as the loan is repayable on demand, the question of overdue amounts does not arise.
- (e) As informed to us, the company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) & (g) of The Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased/sold are of special nature for which suitable alternatives sources, do not exist for obtaining comparative quotations, taking into consideration the quality, usage and such other factors, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given, we have neither come across nor have we been informed of any instance of major weaknesses in aforesaid internal control systems.
5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and having regard to our comments in paragraphs 4 above, and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered into the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.
6. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under with regard to deposits accepted from public. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
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 books of accounts maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the Company's products 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 such books and records.
9. (a) In our opinion and according to the information and explanations given to us, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues have generally been regularly deposited during the year with appropriate authorities. No undisputed amount payable in respect of the aforesaid statutory dues were outstanding as at last day of the financial year for a period of more than six months from the date they became payable.
- (b) In our opinion and according to the information and explanations given to us, there are no dues in respect of Income Tax, Wealth Tax, Service Tax, Custom Duty and Cess that have not been deposited with appropriate authorities on account of disputes and the dues in respect of Excise duty, Sales Tax and Cess that have not been deposited with appropriate authorities on account of dispute and the forum where the dispute is pending are as given below:-

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Name of the Statute	Nature of the Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	1.69	1995-96	High Court, New Delhi
		21.69	1994-95	Reference application to CESTAT, New Delhi allowed for reference to High Court
		64.34	2002-03	CESTAT
		751.66	1999-05	CESTAT
		57.14	1994-96	Commissioner of Central Excise, Rohtak
		1199.29	1999-06	Commissioner/Assistant Commissioner of Central Excise, Vishakhapatnam
		7.63	1994-95	Addl. Commissioner of Central Excise, Rohtak
		7.57	2000-01	Addl. Commissioner of Central Excise, Rohtak
		18.02	1995-96	Joint Commissioner of Central Excise, Rohtak
		0.40	1996-97	Commissioner (Appeals) Gurgaon.
		5.08	2001-02	Commissioner (Appeals) Gurgaon.
Sales Tax Act	Sales Tax	3.00	1993-94	High Court of Punjab & Haryana
		318.06	1995-97	Andhra Pradesh High Court
		17.59	1997-98	Joint Excise And Taxation Commissioner (Appeals), Hissar
		29.65	1997-98	Joint Excise And Taxation Commissioner (Appeals), Hissar
ORISED Act - 2004	Cess	285.27	2005-06	In Supreme Court.

10. The company does not have accumulated losses as at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.
11. In our opinion, on the basis of books and records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions, banks and debenture holders.
12. In our opinion and according to information and explanations given to us, adequate records have been maintained by the Company for loan given on the basis of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4 (xiii) of The Order are not applicable to the Company.
14. In our opinion, and according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of Clause 4 (xiv) of The Order are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which Company has given guarantee aggregating to Rs 13387.50 Lacs for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company. (Read with note no. 3(e)(i) of Notes to Accounts).
16. In our opinion and on the basis of information and explanations given to us, the term loans raised during the year by the Company were applied for the purposes for which the loans were obtained where such end use has been stipulated by the lender, however pending utilization during the course of the year the loan fund has been temporarily deployed in mutual funds/bonds.
17. On the basis of information and explanations given to us, and on the basis of an overall examination of the balance sheet of the Company, no funds raised on short-term basis have been used for long-term investments.
18. The company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. On the basis of the records made available to us, the Company has created necessary security and charge in respect of debentures issued/outstanding during the year.
20. The company has not raised any money through public issue during the year.
21. During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year nor we have been informed of such case by the management.

For **LODHA & CO.**
Chartered Accountants

For **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants

(N. K. LODHA)
Partner
Membership No. 85155

(ARUN K. TULSIAN)
Partner
Membership No. 89907

Place : New Delhi
Date : 18th August, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

DESCRIPTION	SCHEDULE	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Share Capital - Equity	1	2,611.04	2,198.20
Reserves and Surplus	2	98,309.97	77,079.33
		100,921.01	79,277.53
LOAN FUNDS :			
Secured Loans	3	190,500.56	102,588.38
Unsecured Loans	4	30,595.83	33,939.46
		221,096.39	136,527.84
Deferred Tax Liability (Net) (Note No.26 of Schedule 20)		27,829.83	22,526.47
TOTAL		349,847.23	238,331.84
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	219,669.54	170,383.62
Less: Depreciation / Amortisation		41,967.24	32,059.36
		177,702.30	138,324.26
Add: Capital Work in Progress		62,849.64	34,934.14
NET BLOCK		240,551.94	173,258.40
INVESTMENTS	6	31,021.77	19,300.34
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	68,735.84	52,098.32
Sundry Debtors	8	35,042.55	32,659.05
Cash and Bank Balances	9	19,707.07	5,677.09
Loans and Advances	10	68,474.68	44,878.76
		191,960.14	135,313.22
LESS:CURRENT LIABILITIES & PROVISIONS			
Liabilities	11	96,336.50	77,242.70
Provisions	12	17,553.95	12,458.18
		113,890.45	89,700.88
NET CURRENT ASSETS		78,069.69	45,612.34
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	13	203.83	160.76
TOTAL		349,847.23	238,331.84
Notes forming part of accounts	20		

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR **LODHA & CO.**
Chartered Accountants

(N.K. LODHA)

Partner
Membership No.85155

FOR **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants

(ARUN K. TULSIAN)

Partner
Membership No.89907

RATAN JINDAL
Vice - Chairman & Managing Director

A.P. GARG
Sr. Vice - President & Company Secretary

R.G. GARG
Dy. Managing Director

N.C. MATHUR
Director - International
Marketing

SAVITRI DEVI JINDAL
Chairperson

ARVIND PARAKH
Director - Finance

RAJINDER PARKASH
Executive Director

Directors
SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

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

DESCRIPTION	SCHEDULE	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
INCOME			
Gross Sales and Operational Income	14	349,460.55	342,242.44
Less : Excise Duty		31,146.66	22,738.05
Net Sales and Operational Income		318,313.89	319,504.39
Other Income	15	1,947.09	567.52
		320,260.98	320,071.91
EXPENDITURE			
Material, Manufacturing and Others	16	257,446.92	252,159.03
Personnel	17	5,347.27	4,603.66
Administrative and Selling	18	14,037.89	11,771.54
Interest and Bank Charges	19	5,503.85	2,618.56
Miscellaneous Expenditure Written off		36.14	39.31
Depreciation / Amortisation		13,611.43	13,098.96
		295,983.50	284,291.06
NET PROFIT			
		24,277.48	35,780.85
Less :- Loss on transfer of Divisions under the Scheme of Arrangement (Note No.1 of Schedule 20)		254.78	-
NET PROFIT BEFORE TAXATION			
		24,022.70	35,780.85
Less:			
Provision for Taxation		2,659.21	8,794.12
Fringe Benefit Tax		72.39	-
Provision for Deferred Tax		5,303.36	2,397.67
Previous Year Taxation Adjustment		15.15	4.28
PROFIT AFTER TAXATION			
		15,972.59	24,584.78
ADD/(LESS)			
Amount Brought Forward		2,118.10	2,203.50
Debenture Redemption Reserve Written Back		-	725.00
PROFIT AVAILABLE FOR APPROPRIATION			
		18,090.69	27,513.28
Proposed Dividend on Equity Shares		2,088.83	-
Interim Dividend on Equity Shares		-	2,637.84
Corporate Dividend Tax		292.96	357.34
Debenture Redemption Reserve		4,394.41	1,000.00
General Reserve		8,000.00	21,400.00
Balance carried to Balance Sheet		3,314.49	2,118.10
		18,090.69	27,513.28
Earning Per Share (in Rs.) (Note No. 25 of Schedule 20)			
- Basic		14.26	23.96
- Diluted		11.02	18.59
Notes forming part of accounts	20		

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

RATAN JINDAL
Vice - Chairman & Managing Director

SAVITRI DEVI JINDAL
Chairperson

(N.K. LODHA)
Partner
Membership No.85155

(ARUN K. TULSIAN)
Partner
Membership No.89907

A.P. GARG
Sr. Vice - President & Company Secretary

ARVIND PARAKH
Director - Finance

R.G. GARG
Dy. Managing Director

RAJINDER PARKASH
Executive Director

N.C. MATHUR
*Director - International
Marketing*

— Directors —
SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "1"		
SHARE CAPITAL		
AUTHORISED		
27,45,00,000 Equity Shares of Rs.2/- each (Previous Year 27,45,00,000 Equity shares of Rs.2/- each)	5,490.00	5,490.00
10,05,00,000 Unclassified Shares of Rs.2/- each (Previous Year 10,05,00,000 Unclassified Shares of Rs.2/- each)	2,010.00	2,010.00
2,00,00,000 Redeemable Cumulative Non- Convertible Preference Shares of Rs.10/- each.	2,000.00	2,000.00
	9,500.00	9,500.00
ISSUED, SUBSCRIBED AND PAID UP		
13,05,51,856 - Equity Shares of Rs.2/-each fully paid up (Previous year 10,99,09,844 Equity Shares of Rs.2/- each)	2,611.04	2,198.20
TOTAL	2,611.04	2,198.20
Of the above :-		
A) 1,37,78,717 Equity Shares of Rs 10/-each fully paid up issued to Shareholders of Jindal Strips Limited pursuant to Scheme of Arrangement & Demerger.		
B) One Equity Share of Rs.10/-each fully paid up issued to Shareholders of J - Inox Creations (P) Ltd. And Austenitic Creations (P) Ltd. pursuant to the Scheme of Amalgamation.		
C) 51,53,293 Fully Paid Up bonus equity shares of Rs.10/- each in the ratio of 253 equity shares of Rs.10/- each for every 679 equity shares of Rs.10/- each, allotted out of Share Premium and Capital Redemption Reserve to the equity shareholders of the company pursuant to Scheme of Arrangement and Demerger.		
D) 9,99,752 fully paid equity shares of Rs.10/- each fully paid up allotted to the holders of 460 ECB of US\$ 5000 each at predetermined (as per scheme) conversion rate of Rs.100/- each on 13.01.2004.		
E) Company has subdivided the Equity Shares of Rs.10/- each into Equity Shares of Rs.2/- each on 10.03.2004.		
F) 99,97,524 fully paid equity shares of Rs.2/- each fully paid up allotted to the holders of 920 ECB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs.20/-each on 24.12.2004.		
G) 3,907,028 fully paid equity shares of Rs.2/- each fully paid up have been allotted to the holders of 2141 FCCB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs.119.872 each during the year ended 31.3.2006.		
H) 1,67,34,984 fully paid equity shares of Rs.2/- each fully paid up have been allotted to the holders of 1540 ECB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs.20/- each during the year ended 31.3.2006.		
SCHEDULE - "2"		
RESERVES AND SURPLUS		
a) SECURITIES PREMIUM ACCOUNT		
As per last account	10,746.66	8,947.11
Add : On Conversion of ECB / FCCBs	7,617.59	1,799.55
	18,364.25	10,746.66
b) GENERAL RESERVE		
As per last account	61,088.34	39,688.34
Add :Transferred from Profit and Loss Account	8,000.00	21,400.00
	69,088.34	61,088.34
Less : Foreign Currency Translation Reserve	(12.34)	(34.59)
	69,076.00	61,053.75
c) DEBENTURE REDEMPTION RESERVE		
As per last account	1,000.00	725.00
Add :Transferred from Profit and Loss Account	4,394.41	1,000.00
Less : Written Back During the Year	-	725.00
	5,394.41	1,000.00
d) CENTRAL/STATE SUBSIDY RESERVE		
As per last account	39.27	39.27
(Against fulfilment of certain stipulations)	39.27	39.27
e) CAPITAL REDEMPTION RESERVE	2,000.00	2,000.00
f) AMALGAMATION RESERVE	121.55	121.55
g) SURPLUS-PROFIT AND LOSS ACCOUNT	3,314.49	2,118.10
TOTAL	98,309.97	77,079.33

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DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "3"		
SECURED LOANS:		
A. REDEEMABLE NON-CONVERTIBLE DEBENTURES	43,000.00	20,000.00
B. TERM LOANS FROM BANKS		
Rupee Term Loans	84,603.77	39,167.35
Foreign Currency Loans	41,505.16	35,415.56
	<u>126,108.93</u>	<u>74,582.91</u>
C. CAR LOANS		
From Banks	74.43	6.97
From Institutions	15.08	3.35
	<u>89.51</u>	<u>10.32</u>
D. WORKING CAPITAL LOANS FROM BANKS	<u>21,302.12</u>	7,995.15
GRAND TOTAL (A + B + C + D)	<u><u>190,500.56</u></u>	<u><u>102,588.38</u></u>

NOTES :

A.

- (1) Debentures referred to in A above are secured by pari-passu charge by way of mortgage on the company's immoveable properties located in State of Gujarat and hypothecation of moveable assets in favour of debenture trustee ranking pari-passu with other financial institutions/banks.
- (2) Debentures referred to the A above are privately placed and consists of :
 - i) 6.90% debentures of Rs.10,00,000 each aggregating to Rs.20,000.00 Lacs (Previous Year Rs.20,000.00 Lacs) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 3rd August, 2004.
 - ii) 7.50% debentures of Rs.10,00,000 each aggregating to Rs.10,000.00 Lacs (Previous Year Nil) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 15th April, 2005.
 - iii) 7.75% debentures of Rs.10,00,000 each aggregating to Rs.13,000.00 Lacs (Previous Year Nil) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 28th Dec., 2005.
 - iv) Debentures referred in (i) & (ii) above are also secured by having pari-passu charge by way equitable mortgage on the properties situated at Hisar & Vizag.

B.

- (1) Term loans from Banks include loans of Rs.1,06,073.09 Lacs (Previous Year Rs.56,846.64 Lacs), for which charge is created / to be created by way of mortgage of company's immoveable properties and hypothecation of moveable assets both present and future ranking pari-passu with other Banks.
- (2) Term loans from Banks include loans of Rs.4,333.69 Lacs (Previous Year Rs.5,311.87 Lacs) secured by way of mortgage of immoveable properties and hypothecation of moveable assets of the company and second charge on the current assets of the company ranking pari-passu with other Banks.
- (3) Term loans from Banks include loans of Rs.14,827.15 Lacs (Previous Year Rs.11,049.40 Lacs), which are secured by way of mortgage of company's immoveable properties and hypothecation of moveable assets and by way of second charge on current assets of company and personal guarantee of the Directors.
- (4) Term loans from Banks include loans of Rs.875.00 Lacs (Previous Year Rs.1,375.00 Lacs) secured by way of First charge of fixed assets of the company ranking pari-passu with Banks and guaranteed by Managing Director.

C. Secured by way of hypothecation of vehicles purchased thereunder.

D. Working capital loans are secured by way of hypothecation of finished goods, raw-materials, work-in-progress, stores and spares, book debts and by way of second charge in respect of other moveable and immoveable properties of the company ranking pari-passu with other Banks.

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "4"		
UNSECURED LOANS		
2.50% Euro Convertible Bonds *	178.48	3,543.35
0.50% Foreign Currency Convertible Bonds **	21,997.89	26,247.00
Fixed Deposits	1,704.80	2,291.98
Loans from Banks	5,000.00	-
Security Deposits from Agents / Dealers / Others	1,714.66	1,857.13
	30,595.83	33,939.46

NOTE:

* 5.75% Euro Convertible Bonds (net of Indian Withholding Tax up to 10%) were issued to Foreign Investors on 17th December, 1999 by Jindal Strips Limited, in terms of the offering circular dated 16-12-99, these Bonds may be converted into Equity Shares of nominal value of Rs.2/- each at the option of the holders at any time on or after 17th March, 2000, at a pre-determined price of Rs.20/- per Equity Share.

Pursuant to Supplemental Trust Deed dated 17th December, 2004, the rate of interest to be received by the Bond holders (net of Indian Withholding Tax up to 10%) will be 2.50% per annum and unless previously redeemed or converted, the Company will compulsorily convert the outstanding Bonds into GDS/Equity Shares on 17th December 2006.

Holders of 1,540 No. of Euro Convertible Bond of USD 5000.00 each opted for conversion into Equity Shares of nominal value of Rs 2/- each at pre-determined price of Rs.20 per share during the year ended 31.03.2006.

** 0.50% Foreign Currency Convertible Bonds were issued to foreign investors on 24th December, 2004 by the company, in terms of the Offering Memorandum dated 17th December, 2004. These Bonds at the option of the holder, may be converted into Equity Shares of nominal value of Rs. 2/- each at any time on or after 22nd January, 2005 at a pre-determined price of Rs. 119.872 per Share.

Unless previously redeemed, repurchased and cancelled, or converted, the Bonds are redeemable at 129.939% of their principal amount on 24th December, 2009.

Holders of 2,141 No. of Foreign Currency Convertible Bonds of USD 5000.00 each opted for conversion into Equity Shares of nominal value of Rs.2/- each at pre-determined price of Rs.119.872 per share during the year ended 31.03.2006.

SCHEDULE - "5"
FIXED ASSETS
(RS. IN LACS)

DESCRIPTION	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	COST AS ON 01.04.2005	TRANSFER UNDER SCHEME OF ARRANGEMENT \$	ADDITIONS DURING THE YEAR	SALE/ ADJUSTMENT DURING THE YEAR	TOTAL AS ON 31.03.2006	UPTO LAST YEAR	TRANSFER UNDER SCHEME OF ARRANGEMENT \$	DURING THE YEAR*	ON SALE/ ADJUSTMENT	TOTAL UPTO 31.03.2006	31.03.2006	31.03.2005
LAND **	5,119.58	184.15	3,265.40	37.17	8,163.66	-	-	39.55	-	39.55	8,124.11	5,119.58
BUILDINGS	15,947.91	301.26	4,141.00	37.70	19,749.95	1,106.02	6.51	473.07	1.70	1,570.88	18,179.07	14,841.89
PLANT & MACHINERY ***	145,983.48	687.45	39,692.77	4,990.26	179,998.54	30,332.36	58.36	12,767.90	3,779.89	39,262.01	140,736.53	115,651.12
ELECTRIC INSTALLATION	597.76	60.29	6,138.55	16.62	6,659.40	81.62	10.63	48.20	2.62	116.57	6,542.83	516.14
VEHICLES	1,254.99	35.78	285.44	89.59	1,415.06	281.08	5.04	149.02	33.33	391.73	1,023.33	973.91
FURNITURE, FIXTURES & EQUIPMENTS	681.45	45.98	374.78	(28.71)	1,038.96	201.17	14.55	91.50	0.34	277.78	761.18	480.28
POWER LINE AND BAY EXTENSION ****	-	-	712.49	-	712.49	-	-	71.25	-	71.25	641.24	-
INTANGIBLE ASSETS												
TECHNICAL KNOW HOW	798.45	-	570.73	-	1,369.18	57.11	-	105.49	-	162.60	1,206.58	741.34
ERP SOFTWARE	-	-	562.30	-	562.30	-	-	74.87	-	74.87	487.43	-
TOTAL	170,383.62	1,314.91	55,743.46	5,142.63	219,669.54	32,059.36	95.09	13,820.85	3,817.88	41,967.24	177,702.30	138,324.26
CAPITAL WORK IN PROGRESS (Including pre-operative expenses pending allocation / capitalisation)	-	-	-	-	-	-	-	-	-	-	62,849.64	34,934.14
Previous Year	141,634.35	-	29,397.21	647.94	170,383.62	19,007.47	-	13,143.96	92.07	32,059.36	138,324.26	-

* Depreciation for the year includes Rs.209.42 Lacs (Previous Year 45.50 Lacs) considered under pre-operative expenses.

** Land includes land acquired on lease amounting to Rs. 3,362.14 Lacs and amount amortised thereon during the year is Rs.39.55 Lacs.

*** Plant and Machinery Sales includes Rs.115.98 Lacs and Depreciation on sale includes Rs. 66.40 Lacs transferred by Vizag to Orissa Division and that is CWIP of Orissa Division.

**** Not owned by the Company.

§ Refer Note No. 1 of Schedule 20.

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SCHEDULE - "6"

INVESTMENTS

DETAIL OF INVESTMENTS

Sr. No.	PARTICULARS	31st MARCH, 2006			31st MARCH, 2005		
		Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share (Rs. in Lacs)	Amount (Rs. in Lacs)	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share (Rs. in Lacs)	Amount (Rs. in Lacs)
Current Investment - Non Trade							
A Mutual Funds / Others							
1	Deutsche Insta Cash Plus Fund	-	-	-	173482.271	-	18.00
2	Chola Liquid Fund	14143371.355	10.00	2,000.00	7429034.151	-	1,000.00
3	ABN Amro Cash Fund	-	-	-	11764705.882	-	1,210.00
4	SBI Mutual Fund	-	-	-	1344980.611	-	200.09
5	Principal Cash Management Fund	-	-	-	31858578.991	-	3,280.00
6	Franklin India Flexi Cap Fund	-	-	-	2000000.000	-	200.00
7	LIC Mutual Fund	-	-	-	980392.157	-	100.00
8	SBI Magnum Mid Cap Fund	-	-	-	2000000.000	-	200.00
9	Reliance Equity Opportunity Fund	1000000.000	10.00	100.00	3000000.000	-	300.00
10	Tata Gilt Security Fund	1898208.566	10.00	200.00	1898208.566	-	200.00
11	Canbank Mutual fund	-	-	-	244498.780	-	25.00
12	Kotak Mutual Fund	28345675.510	10.00	4,000.00	-	-	-
13	8.00% NCD JSW Steel Limited (Face Value Rs.16907.90 Lacs)	21166594.000	79.88	17,237.83	1082155.000	-	1,013.40
	Total (A)			23,537.83			7,746.49
B Govt./ Semi Govt. Securities							
1	IDBI 10.90% (Face value Rs.1500 Lacs)	-	-	-	-	-	1,703.46
2	Apgenco Bond (Face value Rs.200 Lacs)	-	-	-	-	-	203.94
3	8.40% Transmission Corp. of A.P. Ltd. (Face value Rs.100 Lacs)	10	1,000,000.00	103.40	-	-	815.72
4	12.50 % SSNNL 2008 (Face value Rs.250 Lacs)	-	-	-	-	-	270.65
5	7.15 % Union Bank of India (Face value Rs.1000 Lacs)	-	-	-	-	-	1,000.00
6	8.00 % Federal Bank Ltd. (Face value Rs.500 Lacs)	-	-	-	-	-	506.75
7	7.30% Food Corporation of India (Face value Rs.250 Lacs)	-	-	-	-	-	250.00
8	7.05% Canara Bank Bond (Face value Rs.1000 Lacs)	-	-	-	-	-	1,000.00
9	8.00% SSNNL 2016 (Face value Rs.50 Lacs)	-	-	-	-	-	50.25
10	9.50% MPVCL (Face value Rs.670 Lacs)	-	-	-	-	-	706.85
11	7.92% KSFC 2012 (Face value Rs.200 Lacs)	-	-	-	-	-	206.00
12	11.15% Andhra Pradesh Power Fin. Corp. (Face value Rs.500 Lacs)	-	-	-	-	-	568.75
13	7.50% Bank of India (Face value Rs.40 Lacs)	4	1,000,000.00	40.00	-	-	-
14	8.70% UCO Bank (Face Value Rs.1400 Lacs)	140	1,000,000.00	1,400.00	-	-	-
15	7.45% KSFC 2014 (Face Value Rs.130 Lacs)	13	1,000,000.00	127.85	-	-	-
	Total (B)			1,671.25			7,282.37

DETAIL OF INVESTMENTS Sr. PARTICULARS No.	31st MARCH, 2006			31st MARCH, 2005			
	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)	
Long Term Investment							
A. Govt./Semi Govt. Securities Non - Trade							
1	PNB MF RIPS-1994	-	-	50000	10.00	5.00	
2	Magnum of SBI Global	150,000	10.00	150000	10.00	15.00	
3	12.40% Government of India Stocks (Face value Rs.40 Lacs)	-	-	-	-	41.13	
4	13.50% MKVDC BONDS—2007 (Face value Rs.37.50 Lacs)	75	50,000.00	-	-	76.80	
5	13.05% Government of India Stocks (Face value Rs.40 Lacs)	-	-	-	-	40.66	
6	National Savings Certificate *	-	-	-	-	0.84	
	Total (A)		<u>135.97</u>			<u>179.43</u>	
B. EQUITY SHARES FULLY PAID UP QUOTED - TRADE							
1	Shares of Punjab National Bank		-	943	10	3.68	
	Total (B)		<u>-</u>			<u>3.68</u>	
C. EQUITY SHARES FULLY PAID UP OF SUBSIDIARY COMPANY-TRADE UNQUOTED :							
1	Jindal Stainless Steelway Ltd. Wholly owned subsidiary (Face value Rs.1180 Lacs)	11800000	10	1,180.00	6200000	10	620.00
2	PT Jindal Stainless Indonesia ** (Face value USD 7499900)	7499900	1 USD	3,468.37	7499900	1 USD	3,468.37
3	Jindal Architecture Limited *** (Face value Rs.410.01 Lacs)	4100100	10	410.01	-	-	-
4	Austenitic Creations Pvt. Limited **** (Face value Rs.420.09 Lacs)	4200930	10	420.09	-	-	-
5	Jindal Stainless FZE (Face Value UAE Dirham 1000000)	1 1000000	AED	121.05	-	-	-
6	Jindal Stainless UK Ltd. (Face value Pound 100000)	100000	1 GBP	77.20	-	-	-
	Total (C)			<u>5,676.72</u>			<u>4,088.37</u>
	GRAND TOTAL :			<u>31,021.77</u>			<u>19,300.34</u>
	* Lodged with Government Authorities as Security						
	** Refer Note No. 5 (a) of schedule 20						
	*** Includes 4052500 Equity share pending allotment						
	**** Includes 4155400 Equity share pending allotment						
	Aggregate value of Current Investment		25,209.08			15,028.86	
	Aggregate value of unquoted investment		5,812.69			4,267.80	
	Aggregate value of quoted investment		-			3.68	
	Market value of quoted investment		-			3.71	

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The Company has purchased and sold the following current Investments during the year :-

DETAIL OF INVESTMENTS	31st MARCH, 2006			31st MARCH, 2005		
	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)
	Rs.in Lacs	Rs.in Lacs		Rs.in Lacs	Rs.in Lacs	
A. MUTUAL FUND						
1 ABN AMRO Cash Fund Institutional Growth	23,326.00	23,343.91	218304681	2,000.00	2,001.86	19619384
2 Birla Cash Plus Institutional Premium Plan	1,000.00	1,001.61	9523447	1,000.00	1,000.57	9577260
3 Birla Balance Fund - Dividend Payout	510.00	431.08	2858744	-	-	-
4 Birla Sun Life Fund - Dividend Payout	300.00	244.80	1186709	-	-	-
5 Chola Liquid Fund	16,722.00	16,731.06	239167408	-	-	-
6 Chola Contra Fund	75.00	75.76	733496	-	-	-
7 Chola Short Term Floating Rate Fund	2,590.87	2,591.27	18479936	-	-	-
8 Chola Liquid Fund - Regular Cumulative	2,000.00	2,003.28	28265801	-	-	-
9 Can Bank	8,548.00	8,559.13	68096647	-	-	-
10 Deutsche Mutual Fund	18,370.00	18,379.57	175283219	16,385.00	16,399.56	159252265
11 Deutsche Floating Rate Fund Regular Plan (G)	-	-	-	2,001.22	2,006.76	19347021
12 Deutsche Insta Cash Plan Fund Institutional Plan-(G)	3,910.00	3,912.86	36049172	2,000.00	2,001.22	19953707
13 DSP Merrill Lynch - Floating Rate Fund Growth	500.00	500.85	4451052	-	-	-
14 GCFG Grindlays Cash Fund - Plan B	-	-	-	5,820.00	5,821.21	49113996
15 GCFG Grindlays Cash Fund - Plan C	170,321.19	170,377.71	1452451097	92,724.36	92,757.93	901749106
16 Grindlays Floating Rate Fund Super Insta Plan	-	-	-	2,002.29	2,003.92	19922290
17 H.D.F.C. Floating Rate Income Fund	-	-	-	2,000.00	2,003.21	18748711
18 H.D.F.C. Mutual Fund	150.00	147.09	1466993	3,502.00	3,507.99	27077012
19 H.D.F.C. Liquid Fund Premium Plus Plan-Growth	8,603.00	8,606.15	64200261	-	-	-
20 H.S.B.C. Mutual Fund	7,355.00	7,361.52	70059506	11,906.00	11,924.04	115529912
21 H.S.B.C. Cash Fund - Inst. Plus Growth Plan	2,327.00	2,327.77	21829680	-	-	-
22 IL & FS Floating Rate Fund	-	-	-	2,000.00	2,000.41	19347412
23 IL & FS Liquid Account- Call Option	-	-	-	2,000.41	2,002.06	16876366
24 ING Vysya Domestic Opportunity Fund	-	-	-	195.00	195.88	1906158
25 ING Vysya Liquid Fund Growth Option	-	-	-	195.88	196.04	1425430
26 JM Mutual Fund	205.00	205.61	2050000	1,810.00	1,810.97	10064418
27 Kotak Flexi Debt Scheme - Growth	-	-	-	200.00	201.72	2000000
28 Kotak Mid Cap Open Ended Equity Scheme - Growth	-	-	-	200.00	200.15	1955990
29 Kotak Mutual Fund	7,250.00	7,257.66	86036000	11,680.00	11,686.46	88946405
30 LIC MF Floater MIP Fund	-	-	-	2,000.00	2,012.02	20000000
31 LIC MF Liquid Fund Growth	25,955.00	25,980.13	208466205	4,180.00	4,191.71	36452817
32 LIC Index Senex Adv - Dividend Plan	700.00	551.75	4704157	-	-	-
33 MIF of SBI	4,550.00	4,551.90	30552419	70,382.91	70,415.79	482875631
34 MIIF Of SBI	103,873.18	103,916.76	951689743	-	-	-
35 Prudential ICICI Emerging Star Fund	-	-	-	100.00	99.61	977995
36 Prudential ICICI Institutional Liquid Plan	-	-	-	1,000.00	1,000.48	6340430

DETAIL OF INVESTMENTS	31st MARCH, 2006			31st MARCH, 2005		
	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)
	Rs.in Lacs	Rs.in Lacs		Rs.in Lacs	Rs.in Lacs	
37 Principal Cash Management Fund	21,409.00	21,418.02	204138257	9,247.00	9,258.46	84631129
38 Principal Cash Management Fund MACDRD	-	-	-	300.00	300.08	3000843
39 Principal Cash Management Fund Inst. Premium Plan	16,914.00	16,922.09	157277531	597.00	597.16	4649115
40 Principal Cash Management Fund Liquid Option	-	-	-	2,125.00	2,125.46	20910003
41 Principal Dividend Yield Growth Plan	-	-	-	150.00	153.52	1500000
42 Principal Floating Rate Fund SMP Inst Option	-	-	-	550.00	550.49	5417438
43 Prudential ICICI Floating Rate Plan	-	-	-	3,000.00	3,005.19	28935763
44 Prudential ICICI Liquid Plan Institutional Plus	14,990.00	15,002.76	94127805	18,171.25	18,188.31	113039983
45 Reliance Capital Mutual Fund	-	-	-	1,160.00	1,161.19	7,496,239
46 Reliance Pharma Fund Growth Plan	-	-	-	100.00	100.15	1,000,000
47 Reliance Equity Fund Growth Option	500.00	500.46	5000000	-	-	-
48 Tata Equity P/E Fund	-	-	-	100.00	101.44	1000000
49 Tata Floating Rate Fund	2,250.00	2,250.66	21203973	2,000.00	2,008.59	19661237
50 Tata Gilt Securities Fund - Bonus	-	-	-	200.00	203.61	1898209
51 Tata Liquid Super High Inv. Fund	2,550.00	2,551.36	206779	101.44	101.53	864516
52 Tata Monthly Income Fund	-	-	-	400.00	401.17	3242425
53 Templeton India Floating Rate Income Fund	-	-	-	500.00	501.39	4380393
54 Templeton India Liquid Fund	-	-	-	1,000.00	1,000.57	6334847
55 Templeton India Treasury Management Fund	-	-	-	1,650.57	1,651.85	103485
56 UTI Liquid Advantage Institutional Growth Plan	-	-	-	4,530.00	4,533.67	8155103
57 UTI Leadership Eq. Fund - Div. Plan	100.00	99.26	977995	-	-	-
58 UTI Liquid Cash Plan Institutional	31,475.00	31,490.92	2839895	9,965.00	9,973.69	922817
59 UTI Money Market Fund - Div. Plan	4,509.00	4,515.00	23067751	-	-	-
B. BONDS						
1 8.40% Apgenco Series - II	-	-	-	515.00	515.60	-
2 7.80% Apgenco Bond	-	-	-	5,000.00	5,007.75	-
3 8.40% Apgenco 14	153.00	153.00	150,000	1,019.70	1,021.66	-
4 8.00% TNEB	-	-	-	1,669.85	1,673.42	-
5 8.25% WBIDC	-	-	-	2,526.00	2,531.16	-
6 8.40% KPFC 2013	-	-	-	209.70	209.90	-
7 8.60% Sardar Sarovar Narmada Limited	-	-	-	410.20	410.66	-
8 10.00% HUDCO	-	-	-	2,338.67	2,340.70	-
9 12.30% HUDCO SLR 2008	-	-	-	1,143.20	1,144.10	-
10 12.00% HUDCO 2011	-	-	-	225.60	225.62	-
11 8.40% KPFC	-	-	-	516.60	516.85	-
12 9.75% Saw Pipes Ltd.	-	-	-	2,119.49	2,121.45	-
13 13.00% Maharashtra State Elec. Board	-	-	-	630.00	629.62	-
14 8.50% GEB 2009	-	-	-	954.75	955.46	-
15 12.25% VIDC	-	-	-	259.68	259.92	-
16 12.00% Krishna Bhagya Jal Nigam Ltd.	-	-	-	323.70	323.51	-
17 8.00% The Federal Bank Limited	506.75	508.26	500,000	509.10	510.70	-
18 11.15% Housing and Urban Development Corp.	-	-	-	598.00	598.34	-
19 8.40 % KPFC 2013	-	-	-	379.25	380.50	-
20 Tata Power RR	-	-	-	2,442.07	2,449.71	-

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DETAIL OF INVESTMENTS	31st MARCH, 2006			31st MARCH, 2005		
	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)
	Rs.in Lacs	Rs.in Lacs		Rs.in Lacs	Rs.in Lacs	
21 10.75 % RRVPN 2009	-	-	-	542.00	542.05	-
22 Indian Overseas Bank	-	-	-	2,500.00	2,510.53	-
23 7.50 % Vijaya Bank 2010	-	-	-	402.48	402.96	-
24 11.30 % HPIDB 2015	-	-	-	858.00	858.31	-
25 8.95 % SSNNL 2016	-	-	-	208.00	208.12	-
26 11.30 % HPIDB	-	-	-	106.43	106.47	-
27 12.50 % SSNNL 2008	270.65	269.13	250,000	815.40	815.50	-
28 REC 7.22% Bonds 2014	-	-	-	500.50	500.62	-
29 9.20 % SSSNL 2007	-	-	-	106.25	106.34	-
30 8.00 % Jai Prakash Associate Debenture	-	-	-	3,000.00	3,000.90	-
31 8.00% NCD of Jindal Vijaynagar	-	-	-	3,012.45	2,874.51	-
32 12.90% JKSPDCL	-	-	-	533.90	534.00	-
33 Food Corporation of India	-	-	-	250.00	250.13	-
34 6.45 % Tata Tele Services	-	-	-	4,853.63	4,866.55	-
35 8.00 % SSNNL 2016	-	-	-	40.20	40.29	-
36 8.60 % SSNNL 2015	309.60	309.72	300,000	92.70	92.71	-
37 9.50 % MPVCL	803.15	803.68	760,000	505.80	505.89	-
38 8.30 % KSFC 2012	-	-	-	521.64	522.04	-
39 11.33% KSFC 2010	-	-	-	466.23	466.24	-
40 12.00% AP Power Finance Corp.	-	-	-	424.00	423.98	-
41 8.40% Transmission Corp. of AP Ltd.	-	-	-	305.28	305.42	-
42 7.50% GOI 2034	-	-	-	520.25	520.80	-
43 1.8% MSRDC	4,100.63	4,121.40	1,142	-	-	-
44 10.25% GOI	1,246.60	1,263.15	1,000,000	-	-	-
45 10.25% GOI 2021	620.50	627.45	500,000	-	-	-
46 10.90% IDBI 2008	1,095.11	1,102.01	1,000,000	-	-	-
47 11.15% AP Power Fin. Corp. Ltd.	568.75	567.45	500,000	-	-	-
48 11.15% IIBI 2008	331.78	331.80	300,000	-	-	-
49 11.15% IIBI 2010	608.61	609.16	525,000	-	-	-
50 11.50% ICICI	169.72	169.77	150,000	-	-	-
51 11.50% MPVCL	362.89	362.96	300,000	-	-	-
52 11.50% RSEB 2009	553.23	554.10	50,000	-	-	-
53 11.50% GOI 2015	64.30	64.45	50,000	-	-	-
54 11.50% IIBI 2010	550.65	550.94	475,000	-	-	-
55 11.50% Rec	585.83	585.91	950,000	-	-	-
56 12% GEB 2007/08/09	555.20	554.93	500,000	-	-	-
57 12.30% APSFC 2008	496.33	496.44	450,000	-	-	-
58 12.50% MSRDC	623.40	623.44	500,000	-	-	-
59 14% GEB 2006	619.97	620.58	860,000	-	-	-
60 5.80% Central Bank of India	455.90	456.12	485,000	-	-	-
61 5.85% GUJ SDL	89.08	89.47	100,000	-	-	-
62 6.01% GOI	125.27	125.41	146,000	-	-	-
63 6.10% Power Grid Corp. of India	582.81	582.88	625,000	-	-	-
64 6.13% GOI	43.33	43.38	50,000	-	-	-
65 6.68% Power Grid Corp. of India	273.70	274.89	287,500	-	-	-
66 7.05% Canara Bank Bond Issue-Series VII	1,000.00	986.50	1,000,000	-	-	-
67 7.15% Union Bank of India	1,990.00	1,970.00	1,100,000	-	-	-
68 7.40% IOB	3,507.25	3,512.05	3,500,000	-	-	-
69 7.40% IOC	239.78	240.59	240,000	-	-	-
70 7.40% Syndicate Bank	402.00	397.11	400,000	-	-	-

DETAIL OF INVESTMENTS	31st MARCH, 2006			31st MARCH, 2005		
	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)	Purchase Value	Sale Value	NO. OF UNITS (Sold/ Purchased)
	Rs.in Lacs	Rs.in Lacs		Rs.in Lacs	Rs.in Lacs	
71 7.45% ICICI Bank	500.50	500.50	500,000	-	-	-
72 7.45% Bank of Baroda	500.25	500.78	500,000	-	-	-
73 7.45% KSFC 2014	19.67	19.70	20,000	-	-	-
74 7.5% GOI 2034	2,991.30	3,020.36	3,000,000	-	-	-
75 7.5% Bank of India	1,100.48	1,101.07	1,100,000	-	-	-
76 7.53% J & K Bank SDL	601.50	603.26	600,000	-	-	-
77 7.53% WBSDL	1,503.75	1,506.45	1,500,000	-	-	-
78 7.61% Gujrat SDL	1,012.50	1,010.70	1,000,000	-	-	-
79 7.64% Karnataka Financial Corp.	1,000.00	1,007.17	1,000,000	-	-	-
80 7.77% Andra Pradesh SDL	630.21	631.81	624,000	-	-	-
81 7.77% Gujrat SDL	1,132.17	1,151.79	1,125,000	-	-	-
82 7.77% Karnataka SDL	287.71	295.77	287,800	-	-	-
83 7.77% Rajasthan SDL	1,509.86	1,523.59	1,500,000	-	-	-
84 7.77% Tamil Nadu SDL	160.15	163.89	160,200	-	-	-
85 7.77% Uttaranchal SDL	151.50	151.55	150,000	-	-	-
86 7.77% West Bengal SDL	1,927.36	1,966.26	1,927,000	-	-	-
87 7.85% UP (SL)	500.35	502.75	500,000	-	-	-
88 7.92% APSFC 2012	200.51	200.56	200,000	-	-	-
89 7.92% KSFC 2012	206.00	206.17	200,000	-	-	-
90 7.92% RSFC 2012	202.48	202.52	200,000	-	-	-
91 7.92% KSFC	408.00	408.51	400,000	-	-	-
92 7.95% GOI 28/08/2032	154.50	155.07	150,000	-	-	-
93 8% SNNL 2016	50.25	50.52	50,000	-	-	-
94 8% WBIDFC 2015	17,053.10	17,042.64	17,000,000	-	-	-
95 8.07% GOI	524.00	527.15	500,000	-	-	-
96 8.10% Indusind Bank	404.00	405.72	400,000	-	-	-
97 8.4% Transmission Corpn. of A.P. Ltd.	712.32	713.17	700,000	-	-	-
98 8.40% Indusind Bank Ltd.	8,000.00	8,017.90	8,000,000	-	-	-
99 8.60% South Indian Bank	710.50	714.30	700,000	-	-	-
100 8.70% PNB	1,053.70	1,054.30	1,000,000	-	-	-
101 8.70% UCO Bank	1,100.00	1,101.76	1,100,000	-	-	-
102 9.90% APSFC 2011	109.41	109.43	100,000	-	-	-
103 APGENCO 14	203.94	204.03	200,000	-	-	-
104 7.30% Food Corporation of India	250.00	250.19	250,000	-	-	-
105 10.90% IDBI	1,703.46	1,646.83	1,500,000	-	-	-
106 SNNL DDB 2014	1,195.25	1,213.37	1,000	-	-	-
107 The Bank of Rajasthan Ltd.	5,000.00	5,021.93	5,000,000	-	-	-
108 The South Indian Bank	4,530.00	4,545.90	4,500,000	-	-	-
109 8% JVSL	12,713.61	12,864.00	10,000,000	-	-	-
C. EQUITY						
1. India Bulls Financial Services Limited	1,284.06	1,415.24	669,457	-	-	-
2. Gujarat State Petroleum Ltd.	12.18	16.22	45,110	-	-	-
3. SAIL	32.07	29.65	50,000	-	-	-
4. Reliance Capital	251.49	269.10	60,000	-	-	-
5. Reliance Commercial Venture Ltd.	145.04	153.96	50,000	-	-	-
6. Punjab National Bank	3.68	4.32	943	-	-	-
7. Reliance Industries	267.28	305.27	35,000	-	-	-
8. Suzlon	24.83	32.13	4,868	-	-	-
9. INOX	10.86	17.92	9,050	-	-	-

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DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "7"		
INVENTORIES		
(As taken, valued and Certified by the Management)		
(at lower of cost and net realisable value unless otherwise stated)		
i) Stores and Spares {Including material in transit Rs. 1344.53 Lacs {Previous Year Rs.346.21 Lacs}}	6,505.60	3,804.97
ii) Raw Materials {Including material in transit Rs. 9,929.28 Lacs {Previous Year Rs.7,746.07 Lacs}}	22,941.54	18,039.77
iii) Finished Goods	28,737.05	13,793.24
iv) Trading Goods	121.59	71.76
v) Work in Progress	10,238.12	16,306.80
vi) Scrap (at estimated realisable value)	191.94	81.78
TOTAL	68,735.84	52,098.32
SCHEDULE - "8"		
SUNDRY DEBTORS		
(Unsecured, Considered good unless otherwise stated)		
Exceeding Six months		
i) Considered good	1,383.92	409.11
ii) Considered doubtful	483.96	282.36
Less: Provision	483.96	282.36
	1,383.92	409.11
Others - Considered good	33,658.63	32,249.94
TOTAL	35,042.55	32,659.05
SCHEDULE - "9"		
CASH AND BANK BALANCES		
Cash in Hand	32.98	43.48
Cheques in Hand	1,328.31	336.12
Stamps in Hand	1.39	1.57
Balance with Scheduled Banks		
In Current Accounts	180.87	553.57
In Fixed Deposit Accounts-in Indian Currency	18,150.00	300.00
In Fixed Deposit Accounts-in Foreign Currency (Unutilised money out of FCCB issue proceeds)	-	4,433.39
Balance with Non-Scheduled Banks in INR A/c		
In Yes Bank {Maximum Outstanding during the year Rs. 7.46 Lacs (Previous Year Nil)}	7.46	-
Balance with Non-Scheduled Banks in Foreign Currency in Current A/c.		
In ANZ Bank {Maximum Outstanding during the year Rs. 9.53 Lacs (Previous Year Rs. 9.04 Lacs)}	0.99	2.87
In ICBC Bank {(Maximum Outstanding during the year Rs. 15.44 Lacs (Previous Year Rs. 4.75 Lacs)}	0.87	4.75
In Bank of China {Maximum Outstanding during the year Rs.6.02 Lacs (Previous Year Rs. 8.65 Lacs)}	4.16	1.30
Puja & Silver Coins	0.04	0.04
TOTAL	19,707.07	5,677.09

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "10"		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in Cash or in kind or for value to be received {Including Advances to Subsidiary Companies Rs.492.40 Lacs (P.Y. Rs.80.30 Lacs)}	37,595.62	23,789.22
Interest Accrued on Investments	893.63	190.27
Loans to Body Corporates {Including loans to subsidiary companies Rs. 3,107.43 Lacs (P.Y. Rs. 1093.13 Lacs)}	9,152.45	5,851.21
Security Deposits	4,106.82	3,094.06
Pre-paid Taxes	16,714.14	11,927.61
Balance with Central Excise	12.02	26.39
TOTAL	68,474.68	44,878.76
SCHEDULE - "11"		
CURRENT LIABILITIES		
Acceptances	53,575.97	44,515.75
Sundry Creditors	28,119.69	18,378.40
Other Outstanding Liabilities	9,449.04	7,695.72
Due to Customers and others	2,344.04	4,980.99
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 not due		
i) Unpaid Dividends	99.08	91.29
ii) Unclaimed Matured Deposits	90.80	88.33
iii) Unclaimed Matured Debentures	5.66	10.00
iv) Interest Accrued on (i) to (iii)	38.73	74.72
Interest Accrued but not due	2,613.49	1,407.50
TOTAL	96,336.50	77,242.70
SCHEDULE - "12"		
PROVISIONS		
For Taxation	14,952.82	12,293.61
For Leave Encashment	219.34	164.57
Proposed Dividend on Equity Shares	2,088.83	-
Corporate Tax on Dividend	292.96	-
TOTAL	17,553.95	12,458.18
SCHEDULE - "13"		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	4.02	8.96
Less : Written off During the Year	1.77	4.94
	2.25	4.02
Euro Issue Expenses	19.49	30.63
Less : Written off During the Year	11.14	11.14
	8.35	19.49
Mine Development Expenses	137.25	160.48
Add : Additions During the Year	79.21	-
Less : Written off During the Year	23.23	23.23
TOTAL	193.23	137.25
	203.83	160.76

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DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "14"		
SALES AND OPERATIONAL INCOME		
Sales	339,114.62	334,236.92
Job Charges Received	1,174.27	1,255.34
Export Benefits	9,171.66	6,750.18
TOTAL	349,460.55	342,242.44
SCHEDULE - "15"		
OTHER INCOME		
Dividend Received on Current Investments	482.26	3.60
Profit on Sale of Investments (Net)	-	44.35
{On Current Investments (P.Y. Profit Rs. 188.25 Lacs)}		
{On Current Investments (P.Y. Loss Rs. 141.40 Lacs)}		
{On Long Term Investments (P.Y. Loss Rs. 2.50 Lacs)}		
Previous Years Adjustment (Net) (Refer Note No. 21 of Schedule 20)	359.44	28.04
Guarantee Commission	198.51	-
Lease Rent	3.00	6.75
Miscellaneous Receipts	712.70	228.25
Claims Received	191.18	256.53
TOTAL	1,947.09	567.52
SCHEDULE - "16"		
MATERIAL, MANUFACTURING AND OTHERS		
Raw Material Consumed	203,495.40	215,288.83
Goods Purchased for Sale	4,624.07	3,005.79
Stores and Spares Consumed	17,683.63	17,119.51
Carriage Inward	1,258.78	806.99
Power and Fuel	30,074.48	22,929.49
Repairs to Buildings	130.81	46.10
Repairs to Plant & Machinery	1,159.71	730.42
Job Work Expenses	2,639.66	3,387.04
Other Manufacturing Expenses	2,009.09	1,412.97
TOTAL - A	263,075.63	264,727.14
(INCREASE)/ DECREASE IN STOCK		
Opening Stock		
Finished Goods - Manufactured	13,793.24	6,837.49
Trading Goods	71.76	0.08
Scrap	81.78	38.05
Work in Progress	16,306.80	10,463.63
	30,253.58	17,339.25
Add :- Stock Generated During Trial Run	1,026.90	-
	31,280.48	17,339.25
Less : Transferred as per Scheme of Arrangement	291.96	-
TOTAL - B	30,988.52	17,339.25
Closing Stock		
Finished Goods - Manufactured	28,737.05	13,793.24
Trading Goods	121.59	71.76
Scrap	191.94	81.78
Work in Progress	10,238.12	16,306.80
TOTAL - C	39,288.70	30,253.58
INCREASE IN STOCKS - D (B - C)	(8,300.18)	(12,914.33)
Excise Duty on account of Increase/ (Decrease) in Stock of Finished Products (E)	2,671.47	346.22
GRAND TOTAL (A + D + E)	257,446.92	252,159.03

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "17"		
PERSONNEL		
Salaries, Wages, Bonus and other benefits	4,822.60	4,001.34
Contribution to Provident and other funds	308.50	262.70
Workmen and Staff Welfare	216.17	339.62
TOTAL	5,347.27	4,603.66
SCHEDULE - "18"		
ADMINISTRATIVE AND SELLING		
Rent	75.66	41.92
Lease Rent	4.53	4.35
Rates and Taxes	211.52	288.86
Insurance	679.39	650.62
Legal and Professional	877.34	451.45
Postage, Telegram, Telex and Telephone	195.28	189.26
Printing and Stationery	167.62	178.62
Travelling and Conveyance	390.89	312.06
Directors' Meeting Fees	2.80	2.20
Vehicle Upkeep and Maintenance	115.57	118.24
Auditors' Remuneration	20.54	11.10
Selling Expenses	330.71	683.87
Freight & Forwarding Expenses	6,472.09	5,272.72
Commission on Sales	910.15	754.53
Provision for Doubtful Debts / Advances	201.60	215.64
Bad Debts	87.45	61.55
Advertisement & Publicity	238.70	124.57
Miscellaneous Expenses	674.43	977.77
Donation	159.90	132.98
Discount & Rebate	1,869.74	1,296.14
Loss on Sale/Discard of Fixed Assets (Net)	197.84	3.09
{Profit of Rs.1.62 Lacs (P.Y. Rs.7.60 lacs)}		
{Loss of Rs.199.46 Lacs (P.Y. Rs.10.69 Lacs)}		
Loss on Sale of Investments (Net)	154.14	-
On Current Investments Profit Rs.542.50 Lacs		
On Current Investments Loss Rs.696.77 Lacs		
(Includes Loss on Future Indices Rs122.70 Lacs)		
On Long Term Investments Profit Rs.0.13 Lacs		
TOTAL	14,037.89	11,771.54
SCHEDULE - "19"		
INTEREST AND BANK CHARGES		
INTEREST ON		
Fixed Loans	4,269.31	3,441.41
Others	3,492.44	1,530.52
Financial Expenses / Bank Charges	650.56	762.13
	8,412.31	5,734.06
Less: Interest received		
Interest on Securities (Net)	413.27	59.72
TDS Rs. 232.48 Lacs (Previous Year Rs.49.53 Lacs)		
{Including interest on current investments Rs.343.74 Lacs (P.Y. Rs.33.44 Lacs)}		
Foreign Exchange Gain (Net)	77.04	1,980.41
Loans & Advances	1,562.68	594.63
TDS Rs.340.16 Lacs (Previous Year Rs.93.43 Lacs)		
{Including interest on loan to subsidiary companies Rs.200.25 Lacs		
(P.Y. Rs.23.11 Lacs)}		
Banks (TDS Rs.25.50 Lacs (Previous Year Rs.18.60 Lacs))	73.71	97.29
Interest on Debtors {TDS Rs.156.57 Lacs (Previous Year Rs.109.75 Lacs)}	730.82	383.07
Others	50.94	0.38
	2,908.46	3,115.50
TOTAL	5,503.85	2,618.56

SCHEDULE - '20'**NOTES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT****1. SCHEME OF ARRANGEMENT :**

Pursuant to the Scheme of Arrangement among Jindal Stainless Limited (the Company), Austenitic Creations Private Limited (ACPL), Jindal Architecture Limited (JAL) and their respective Shareholders and Creditors (the scheme) sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh, which has become effective from 1st Aug, 2006 :-

- (i) The Architecture Division (AD) of the Company comprising Fixed Assets (Rs.650.04 Lacs), Current Assets, Loans and Advances (Rs.460.67 Lacs), Inter Divisional Loan (Rs.363.70 Lacs) and Current Liabilities (Rs.237.09 Lacs), stood transferred to and vested in JAL from appointed date i.e. 1st April, 2005,
- (ii) The Life Style Products Division (LSPD) of the Company comprising Fixed Assets (Rs.569.82 Lacs), CWIP (Rs.190.91 Lacs), Current Assets, Loans and Advances (Rs.492.67 Lacs), Inter Divisional Loan (Rs.373.09 Lacs) and Current Liabilities (Rs.314.65 Lacs), stood transferred to and vested in ACPL from appointed date i.e. 1st April, 2005.
- (iii) 41,55,400 Equity Shares of Rs.10 each of ACPL will be issued and allotted to the Company in exchange of transfer and vesting of LSPD of the Company based on the valuation of division done by a valuer,
- (iv) 40,52,500 Equity Shares of Rs.10 each of JAL will be issued and allotted to the Company in exchange of transfer and vesting of AD of the Company based on the valuation of division done by a valuer.
- (v) The Company carried on the business of LSPD and AD w.e.f. 1st April, 2005 for and on account of and in trust of ACPL and JAL respectively and all profits accrued and/or losses incurred by the Company relating to LSPD and AD were accordingly transferred to ACPL and JAL respectively.
- (vi) The necessary steps and formalities in respect of transfer of assets in favour of ACPL and JAL are under implementation.
- (vii) For the reasons stated herein above, the figures of the current year are not strictly comparable with the figures of the previous year.

2. SIGNIFICANT ACCOUNTING POLICIES:**i) Basis of Preparation of Financial Statements:**

The financial statements are prepared under the historical cost convention as a going concern. The Company follows the Mercantile System of Accounting and recognises income & expenditure on accrual basis except certain claims like those relating to Railways, Insurance, Electricity, Customs, Excise etc., which are accounted for on acceptance basis on account of uncertainties.

ii) A) Fixed Assets & Depreciation :**a) Fixed Assets**

Fixed Assets are stated at cost of acquisition inclusive of incidental expenses related thereto and are net of cenvat/vat credit. Assets vested in the company pursuant to the Scheme of Arrangement & Demerger are stated at their fair market values based on the valuation report of financial consultant.

b) Depreciation & Amortisation

Depreciation on Fixed Assets is provided on Straight Line Method (SLM) basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. For assets acquired pursuant to the Scheme of Arrangement where the residual life of assets are estimated at less than that worked out on the basis of rates under Schedule XIV, the same are depreciated over their respective residual lives. Depreciation on the amount capitalised on account of foreign exchange fluctuation is provided over the residual life of the asset.

- c) Assets not owned by the Company are amortised over a period of ten years.

B) Intangible Assets:

Expenditure incurred on rights/properties, where benefit is expected to flow in future, is disclosed as intangible assets. These intangible assets are amortised/written off over the expected duration of benefit or 10 years, whichever is lower and include following items:-

- a) Expenditure incurred on cost of acquisition of new software package and implementation thereof are amortised over the period of 5 years.
- b) Technical Know-How Expenses are written off over the expected duration of benefits i.e. 10 years.

C) Impairment

Where the recoverable amount of the fixed assets is lower than its carrying amount, a provision is made for the impairment loss. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.

D) Expenditure during construction period

Expenditure related to and incurred during implementation of new/expansion-cum-modernisation projects is included under Capital Work-in-Progress and the same is allocated to the respective fixed assets on the completion of its construction/erection.

iii) Borrowing Costs:

Interest and other costs to the extent related to the acquisition /construction of qualifying assets are capitalised as part of cost of such assets and other borrowing costs are charged to revenue.

iv) Foreign Currency Transactions:

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transactions. All exchange differences are dealt with in Profit and Loss Account except those relating to acquisition of fixed assets acquired from outside India which are adjusted in the cost of assets. Foreign currency denominated assets/liabilities and capital commitment other than for financing fixed assets acquired from country outside India, including acquired in India till 31.03.2004 which are adjusted in the cost of the fixed assets, are translated at year end exchange rates and resultant gains/losses are recognised in the Profit and Loss Account for the year, except foreign currency gain/loss relating to translation of net investment in non-integral operation which is recognised in the foreign currency translation reserve. Premium on foreign exchange Forward contract charged over the life of contract.

v) Equity Derivative Instruments/Contracts:

Loss/profit on equity derivative instruments/contracts are accounted for on their settlement and loss on outstanding contracts at Balance Sheet date is recognized on reasonable certainty.

vi) Investments:

Long term investments are stated at cost. When there is a decline other than temporary in their value, the carrying amount is reduced on an individual investment basis and decline is charged to the Profit & Loss Account. Appropriate adjustment is made in carrying cost of investment in case of subsequent rise in value of investments. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as part of the cost of acquisition of the convertible portion of the debentures. Current Investments are stated at lower of cost or market value.

vii) Valuation of Inventories:

Inventories are valued at the lower of cost and net realisable value except scrap which is valued at net realisable value. The cost is computed on Weighted Average basis. Finished goods and Work in Progress includes cost of conversion and other overheads incurred in bringing the inventories to their present location and condition.

viii) Retirement Benefits:

Liability in respect of retirement benefits is provided and/or funded and charged to the Profit & Loss Account as follows:

Gratuity: -Liability in respect of Gratuity to employees is covered under the Group Gratuity Scheme with the Life Insurance Corporation of India and premium is charged by LIC on actuarial valuation basis.

Leave Encashment: - On the basis of actuarial valuation as determined at the year end.

ix) Miscellaneous Expenditure:

a) Expenditure incurred till 31.03.2003 are treated as Miscellaneous and amortised as under:-

i) Preliminary expenses are written off over the period of 10 years.

ii) Bonds issue expenses and premium on redemption are written off over the expected duration of benefit or life of the bonds whichever is earlier.

b) Mines development expenses incurred for developing and preparing new mines written off over the expected duration of benefits i.e. 10 years.

x) Research and Development Expenditure:

Revenue expenditure is charged to the Profit & Loss Account and capital expenditure is added to the cost of fixed assets in the year in which it is incurred.

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x) **Taxation:**

Provision is made for income-tax liability estimated to arise on the results for the year at the current rate of tax in accordance with Income-Tax Act, 1961.

Deferred tax resulting from timing differences between book profits and tax profits is accounted for, at the income tax rates substantively enacted till the Balance Sheet date, to the extent that the timing differences that originate in one year are capable of reversal in one or more subsequent years.

Deferred Tax Assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is a virtual certainty of realisations supported by convincing evidence and on others when there is reasonable certainty.

xii) **Contingent Liabilities, Contingent Assets & Provisions:**

Contingent liabilities, if material, are disclosed by way of notes, contingent assets are not recognised or disclosed in the financial statements. A provision is recognised when an enterprise has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation(s), in respect of which a reliable estimate can be made for the amount of obligation.

3. Contingent Liabilities not provided for in respect of:

	(Rs. in Lacs) 31.03.2006 Current Year	(Rs. in Lacs) 31.03.2005 Previous Year
a) Counter Guaranties given to Company's Bankers for the guaranties given by them on behalf of Company.	2075.99	2977.78
b) Letter of Credit outstanding(Net of Liability provided for in the books)	50592.95	23712.34
c) Bills discounted by bank	7233.27	10678.40
d) i) a) Sales tax Demands against which Company has preferred appeals.	442.53	379.42
b) Income tax Demands against which Company has preferred appeals.	951.39	-
ii) Excise Duty Show Cause Notices/Demands against which company has preferred appeals.	2134.41	1521.37
Management is confident that there will not be any material impact on final Decision/settlement.		
e) Corporate Guarantee given to Government/Banks on behalf of other body corporate:		
i) Against credit facilities/financial assistance {outstanding amount as on 31 st March 2006 Rs.12291.51 Lacs (Previous Year Rs.10936.25 Lacs)}	13387.50	10936.25
ii) Against others	537.60	55.00
f) Guarantee given to custom authorities for import under EPCG Scheme	21565.22	2437.85
g) Demand made by Sr. Dy. Director of Mines, Notified Authority, Jajpur Road Circle, Orissa as cess on Chromite Ore production. The matter being pending with Hon'ble Supreme Court of India.	285.27	-
h) Demand raised by NESCO in respect of power purchases. The company has filed Writ petition with Hon'ble High Court of Orissa.	511.15	-
4. a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.96871.06 Lacs (Previous Year Rs.69713.64 lacs).		
b) Estimated amount of contract remaining to be executed towards intangible assets and not provided for (Net of advances) Rs.50.40 Lacs (Previous Year Rs.561.20 Lacs).		
5. a) Company has given guarantee against credit facilities/financial assistance availed by a subsidiary PT. Jindal Stainless Indonesia (Note No. 3 e (i) above) and also pledged its 51% equity shareholding in the said subsidiary company with banks. Further company has also given undertaking not to dispose off its balance equity shareholding in the said subsidiary company.		

- b) The company has investment in Equity Share Capital of subsidiary company PT. Jindal Stainless Indonesia (PTJSI) amounting to **Rs.3468.37 Lacs** and also has advanced loan **Rs.1525.81 Lacs**. However, as at 31st March 2006, PTJSI has substantial accumulated losses in its Profit & Loss Account. Considering the long term interest of the company in its subsidiary and future operational prospects of PTJSI, the management has considered the diminution in value of investment as temporary in nature. Considering the long term and strategic nature of investments and also loan amount as good and fully recoverable.
6. Appeals in respect of certain assessments of Sales Tax/Income Tax are pending and additional tax liabilities/refunds, if any, are not determinable at this stage. Adjustments for the same will be made after the same are finally determined. In the opinion of management there will not be material liability on this account.
7. In accordance with the provisions of Accounting Standard on Impairment of Assets, (AS-28), the management has made assessment of assets in use and considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.
8. There are no present obligations requiring provision in accordance with the guiding principles as enunciated in Accounting Standard "Provisions, Contingent Liabilities and Contingent Assets" (AS-29), as it is not probable that the outflow of resources embodying economic benefits will be required.
9. Certain plant & machinery have been considered as continuous process plant on technical assessment and depreciation is provided for accordingly.
10. a) The amount of foreign exchange fluctuation amounting to **Rs.1506.29 Lacs (Net Debit)** (Previous Year Rs.413.97 Lacs (Net Debit)) is not shown separately and the same is included under the related head of expenditure and income.
- b) Additions/adjustments to Plant & Machinery/Capital Work-In-Progress includes **Rs.663.94 Lacs (Net Debit)** (Previous Year Rs.87.39 Lacs (Net Debit)) on account of foreign exchange fluctuation on Loan /Liability.
- c) Foreign exchange fluctuation amounting to **Rs.77.04 Lacs (Net Credit)** (Previous Year Rs.1980.41 lacs (Net Credit)) includes fluctuation relating to forward cover **Rs.743.97 Lacs (Net Credit)** (Previous Year Rs.2001.94 Lacs (Net Credit)).
- d) Interest paid on fixed loan includes pro-rata premium of **Rs.475.32 Lacs** (Previous Year Rs.178.12 Lacs)
11. a) Profit/Loss on sale of Stores & Spares and Raw material remain adjusted in relevant consumption account.
- b) Materials returned/rejected are accounted for in the year of return/rejection.
- c) Export benefits include **Rs.3791.22 Lacs** accounted for on account of incentive under Duty Free Credit Entitlement Scheme of the Govt. of India in respect of earlier years.
- d) After evaluation of the Technical and commercial bid, The Industrial Infrastructure Development Corporation of Orissa Ltd. (IDCOL) had recommended JSL as Joint Venture partner for developing 500 Hectares of Chromite Ore Mine near Tangarapada Area in Dhenkanal District, Orissa, which was challenged in the Hon'ble High Court of Orissa by other interested parties. The Hon'ble High Court squashed the recommendation of IDCOL and advised for fresh tender. A SLP has been moved in the Hon'ble Supreme Court of India. M/s IDCOL also have filed SLP in the Hon'ble Supreme Court of India.
12. In opinion of the Board, Current Assets, Loans & Advances have a realisable value, in the ordinary course of business at least equal to the amount at which they are stated.
13. a) On the basis of information available with the company, sundry creditors include **Rs.111.96 Lacs** (Previous Year Rs.151.14 Lacs) due to Small Scale and Ancillary Undertakings and **Rs.28007.73 Lacs** (Previous Year Rs.18227.26 Lacs) due to other Creditors.
- b) The Small Scale Industrial Undertakings to whom amounts owed are outstanding for more than 30 days are as under:-
 (i) Amar Elastomers Pvt. Ltd.,Sonipat (ii) Dee Tee Industries,Indore (iii) Durgapur Tubes Ltd. (iv) Encon Furnaces Pvt. Ltd. (v) Indo Safety Products (vi) Magnarc Electrodes Pvt. Ltd. (vii) Chadha Industries,Delhi (viii) Ganesh Industrial Corporation,Ghaziabad (ix) Punjab Forging Industries,Mandi Gobindgarh (x) Punjab Hammers Pvt. Limited,Mandi Gobindgarh (xi) Plazma Cutting Equipments P. Ltd.,Pune (xii) Geeta Moulding Industries, Jagadhari (xiii) Metal Aids, Haridwar (xiv) Jain son Metallic India Pvt. Ltd.,New Delhi (xv) Katni Tile Works ,Katni (xvi) Power Age Industries, Alwar (xvii) Andhra Data Forms Pvt. Ltd. (xviii) Shree Ram Polyplast,Chennai.
14. Certain balances of the accounts under sundry debtors, sundry creditors are subject to confirmation and/or reconciliation.
15. Advance Recoverable in Cash or in kind or for value to be received includes:
- a) **Rs.25.35 Lacs** (Previous Year Rs.1.24 Lacs), maximum amount outstanding at any time during the Year is **Rs.53.30 Lacs** (Previous Year Rs.3.26 Lacs) being the amount due from directors/officers of the company.

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- b) Interest free loan to employees amounting to **Rs.3.45 Lacs** (Previous Year Rs. 0.51 Lacs) in the ordinary course of the business and as per employee service rules of the Company. Maximum balance outstanding during the year **Rs.5.54 Lacs** (Previous Year Rs.13.68 Lacs).
16. Loans to Body Corporate include **Rs.2773.12 Lacs** (Previous Year Rs.3258.08 Lacs) due from Nalwa Sons Investments Limited, a company under the same management as per Section 370 (1B) of the Companies Act, 1956. Maximum amount due during the year **Rs.3258.08 Lacs** (Previous Year Rs.4640.05 Lacs).
17. Loans and Advances includes advance against capital orders **Rs.19531.10 Lacs** (Previous Year Rs.10945.44 Lacs)
18. a) Research and Development expenses for the year amounting to **Rs.21.91 Lacs** (Previous Year Rs.42.16 Lacs) on account of revenue expenditure and **Rs.24.69 Lacs** (Previous Year Rs.229.54 Lacs) on account of capital expenditure have been charged/debited to respective head of accounts.
- b) Mines development expenses incurred till 31.03.2003 were treated as Miscellaneous expenditure and written off over the period of 10 years, However, Considering increase in the activities of Mines, accounting policy with respect to charging full amount to Profit & Loss account as and when incurred after 31st March, 2003 has been modified and during the year the same are treated as written off over the expected duration of benefits i.e. 10 years. The change of policy has no material impact on the profit for the year.
19. The Company has modified its accounting policy of valuing Raw Material Scrap at weighted average which was hitherto being valued on FIFO basis. The impact of the same on the profitability is not material.

20. a) Derivative contracts entered into by the company and outstanding as on 31st March, 2006 for hedging currency risks:-

	2005-06 Amount (In F. C.)	2005-06 Amount (Rs. in Lacs)
Forward Covers		
Against Export (USD)	95250000	42495.79
Against Accounts Payable (EURO)	10000000	5400.10
Options (EURO)	2000000	1080.02

- b) Foreign Currency exposure that are not hedged by derivative instruments or otherwise outstanding as on 31st March, 2006 is as under:-

	2005-06 Amount (In F.C.)	2005-06 Amount (Rs. in Lacs)
Accounts Receivable (EURO)	175360	94.70
Accounts Payable		
(USD)	77077066	34395.64
(AUD)	73	0 .02
(SEK)	4483	0.23
Total		34395.89
Loans (USD)	155456019	69372.25

21. Prior Period Adjustment **Rs.359.44 Lacs (Net Credit)** (Previous Year Rs.28.04 Lacs (Net Credit)) includes:

	(Rs. in Lacs) 2005-06 Current Year	(Rs. in Lacs) 2004-05 Previous Year
Expenses relating to earlier years	108.39	46.86
Income relating to earlier years	(179.91)	(32.55)
Liability no longer required	(287.92)	(42.35)

22. Pursuant to Scheme of arrangement, certain investment was acquired by the company in the earlier years. The necessary steps and formalities in respect of transfer of investment in favour of Company are in progress.

23 Segment Reporting:
i) Information about Business Segment (for the year 2005-06)

Company operates in a Single Primary Segment (Business Segment) i.e. Stainless Steel products.

ii) Secondary Segments (Geographical Segment)

	2005-06 (Rs. in Lacs)			2004-05 (Rs. in Lacs)		
	Within India	Outside India	Total	Within India	Outside India	Total
1 Revenue	229,728.69	119,731.86	349,460.55	233,036.73	109,205.71	342,242.44
2 Segment Assets *	421,199.37	10,791.18	431,990.55	293,188.68	12,816.09	306,004.77
3 Capital Expenditure incurred during the year *	89,690.71	1,889.97	91,580.68	66,767.10	-	66,767.10

* The Company's operating facilities are located in India

24 Related Party Transactions
A List of Related Party & Relationship (As identified by the Management)
a) Subsidiary Companies:

- 1 PT. Jindal Stainless Indonesia
- 2 Jindal Stainless Steelway Limited
- 3 Austenitic Creations Pvt. Ltd.
- 4 Jindal Architecture Ltd.
- 5 Jindal Stainless UK Limited, London
- 6 Jindal Stainless FZE, Dubai

b) Key Management Personnel :

- 1 Smt. Savitri Devi Jindal Chairperson
- 2 Shri Ratan Jindal Vice-Chairman & Managing Director
- 3 Shri R.G. Garg Deputy Managing Director
- 4 Shri Arvind Parakh Director (Finance)
- 5 Shri Rajinder Parkash Executive Director
- 6 Shri N.C. Mathur Director-International Marketing
- 7 Shri A.P. Garg Sr. Vice - President & Company Secretary

c) Enterprises over which Key Management Personnel and their relatives exercise significant influence with whom transactions have been taken place during the year:

- 1 Jindal Steel & Power Limited
- 2 JSW Steel Limited
- 3 Jindal Saw Limited
- 4 Jindal Industries Limited
- 5 Nalwa Sons Investments Limited
- 6 Nalwa Sponge Iron Limited
- 7 Bir Plantation Limited
- 8 Bharat Metals

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2005-06

(Rs. In Lacs)

Description	Subsidiary Companies	Key Management Personnels	Enterprises Controlled by key Management Personnels & their Relatives
Transactions:			
Purchase of Goods	1,324.36	-	*11243.39
	(-)	(-)	(15465.07)
Sale of Goods	25159.10	-	2605.35
	(12462.41)	(-)	(943.29)
Sale of Fixed Assets	-	-	-
	(50.75)	(-)	(-)
Job Work Charges Paid	323.72	-	745.01
	(-)	(-)	(-)
Receiving of Services (Remuneration paid)	-	508.07	-
	(-)	(578.33)	(25.00)
Rent Received	-	-	3.00
	(3.75)	(-)	(-)
Rent Paid	-	-	3.60
	(-)	(-)	(3.60)
Loan Contribution	2972.06	50.00	1246.07
	(2042.81)	(-)	(1764.66)
Loan recovered	980.00	25.00	1903.44
	(873.84)	(-)	(3208.92)
Interest Income	200.25	2.23	898.05
	(23.11)	-	(220.93)
Interest Paid	-	-	6.71
	(-)	(-)	(-)
Sharing of Exp. Recd./Accrued	7.09	-	17.00
	(-)	(-)	(17.44)
Sharing of Exp. Paid/due	113.11	-	161.52
	(59.50)	(-)	(87.66)
Guarantee Commission Earned	244.94	-	-
	(-)	(-)	(-)
Equity Contribution	766.51	-	-
	(4088.37)	(-)	(-)
Corporate-Guarantee Given	2713.86	-	-
	(10991.25)	(-)	(-)
Outstanding Balance as on 31.03.2006			
8% NCD Jindal Vijaynagar Ltd.	-	-	17237.83
	(-)	(-)	(1013.40)
Corporate-Guarantee	13925.10	-	-
	(10991.25)	(-)	(-)
Loans & Advances	**3599.83	25.00	2904.34
	(1173.43)	(-)	(3283.08)
Debtors	7714.61	-	4.14
	(6735.25)	(-)	(408.59)
Payables	-	249.41	3080.37
	(-)	(-)	(1109.17)

Note :-

Refer note no. 1 of Schedule - 20 in respect of effects of Scheme of Arrangement.

Guarantee given by key management personnel for loan from banks/financial institutions (refer notes to schedule-3).

* Includes Purchase of Ferro Chrome/Sponge Iron of **Rs.10807.80 Lacs** (Previous Year Rs. 13942.78 Lacs) from Jindal Steel & Power Limited,Raigarh on arm length prices.

Includes Subordinated Debts of Rs. **1115.38 Lacs (Previous year Rs. 1093.13 Lacs)

Figures in bracket (-) indicate previous year figures.

25 Earning Per Share (EPS) computed in accordance with Accounting Standard 20 " Earning Per Share ".

	2005-2006 Current Year (Rs. in Lacs)	2004-2005 Previous Year (Rs. in Lacs)
(A) Basic:-		
Net Profit after Tax (Attributable to Equity Shareholders)	15,972.59	24,584.78
No. of Equity Shares at Beginning of the year	109,909,844	99,912,320
Weighted average No. of Equity Shares issued on conversion of ECBs/FCCBs during the year :		
920 ECBs w.e.f. 24.12.2004 (9,997,524*98/365)	-	2,684,267
1540 ECBs w.e.f. 30.03.2006 (16,734,984*2/365)	91,699	-
20 FCCBs w.e.f. 22.07.2005 (36,497*253/365)	25,298	-
100 FCCBs w.e.f. 16.09.2005 (182,486*197/365)	98,492	-
1466 FCCBs w.e.f. 23.09.2005 (2,675,247*190/365)	1,392,594	-
555 FCCBs w.e.f. 14.10.2005 (1,012,798*169/365)	468,940	-
Weighted Average No. of Equity Shares (Face value Rs. 2/- per share)	111,986,867	102,596,587
Basic EPS (in Rs.)	14.26	23.96
(B) Diluted:-		
Net Profit after Tax as per P & L A/c.	15,972.59	24,584.78
Add: Interest & fluctuation on Euro Bonds/FCCBs (net of tax)	488.03	212.53
Profit attributable to Equity Share Holders	16,460.62	24,797.31
Weighted Average No. of Equity Shares	111,986,867	102,596,587
Add: Dilutive Potential Equity Shares :		
Weighted average No. of Potential Equity Shares outstanding at the end of the year	18,860,676	23,483,898
Weighted average No. of Potential Equity Shares converted during the year	18,564,989	7,313,258
Weighted average No. of Equity Shares (Face value Rs. 2/- per share)	149,412,532	133,393,743
Diluted EPS (in Rs.)	11.02	18.59

26 DEFERRED TAX LIABILITY (NET) COMPRISES OF THE FOLLOWING AS ON 31.03.2006 :-

	Balance as at 31.03.2005	Charge/ (Credit) For The Year	Balance as at 31.03.2006
(Rs. in Lacs)			
A) Deferred Tax Liabilities :			
On Account of timing difference in			
1 Depreciation	22,714.29	5,373.75	28,088.04
Total Deferred Tax Liability - A	22,714.29	5,373.75	28,088.04
B) Deferred Tax Assets :			
On Account of timing difference in			
1 Disallowance under Section 43B	11.78	(6.78)	5.00
2 Amortisation under Section 35D	(6.25)	3.84	(2.41)
3 Provision for doubtful debts & advances	92.44	70.46	162.90
4 Provisions for leave salary	37.46	36.37	73.83
5 Brought forward long term/short term capital losses	52.39	(33.50)	18.89
Total Deferred Tax Assets - B	187.82	70.39	258.21
Deferred Tax Liability (Net) (A-B)	22,526.47	5,303.36	27,829.83

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27 (A) **Auditors Remuneration includes the following:**

	2005-06 Current Year (Rs. in Lacs)	2004-05 Previous Year (Rs. in Lacs)
(i) Payment to Auditors		
Audit Fee	6.05	5.05
Other Capacity	7.70	1.76
Out of Pocket expenses	3.11	1.12
	16.86	7.93
(ii) Payment to Branch Auditors		
Audit Fee	1.30	1.30
Tax Audit Fee	0.50	0.50
Certification Work etc.*	2.59	1.09
Out of Pocket expenses	0.29	0.53
	4.68	3.42
Total	21.54	11.35
* Rs.1.00 Lacs (Previous year Rs. 0.25 Lacs) included in Preoperative Exp..		
(B) Payment to Cost Auditors		
Audit Fee	0.53	0.50
Out of Pocket expenses	0.12	0.26
Total	0.65	0.76
(C) Directors' Remuneration includes the following:		
Remuneration paid to Directors including Managing Director and Deputy Managing Director		
Salary	189.08	166.63
Commission	249.41	369.27
Provident Fund	20.29	17.46
Monetary value of perquisites**	0.10	0.26
	458.88	553.62
** As per Income Tax valuation.		
** Excluding Gratuity/leave encashment, and premium of Key Man insurance policy of Rs. 375.00 Lacs (Previous year Rs. 375.00 Lacs)		

28 Computation of net profit in accordance with Section 309 (5) read with Section 198 of the Companies Act, 1956 :-

	2005-06 Current Year (Rs. in Lacs)
Profit before taxes	24,022.70
Add:-	
Managerial Remuneration	458.88
Provision for Doubtful Debts	201.60
Director Meeting Fees	2.80
Capital Loss as per scheme of arrangement	254.78
	918.06
Net Profit for the Year	24,940.76
Commission @ 1% to Managing Director	249.41
10% of the above net profit comes to	2,494.08

29 Capital Work-in-Progress includes technical know-how and supervision fees, machinery under installation/in transit and other assets under erection and pre-operative expenses. Details of pre-operative expenses(Including Trial run expenses) are as under:-

Description	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Interest on fixed Loans	5,619.07	2,427.52
Other Interest	21.96	-
Raw Material Consumed	4,646.28	-
Stores & Spairs Consumed	74.18	-
Power & Fuel	4,165.07	150.70
Other Manufacturing Expenses	159.42	-
Jobwork Expenses	0.27	-
Repair to Plant & Machinery	0.84	-
Freight & forwarding Expenses	408.57	-
Salaries & Allowances	962.88	445.29
Workman and Staff welfare	0.36	-
Travelling and Conveyance	152.55	127.45
Financial Expenses/Bank Charges	899.03	217.17
Printing & Stationery	2.24	-
Postage & telegram, telex & telephone	36.39	28.32
Other Administrative Expenses	580.71	236.17
Legal & Professional Expenses	251.57	1,137.71
Licence & Fees	206.94	40.40
Depreciation & Amortisation	209.05	45.00
Miscellaneous Expenses	210.68	102.03
Software Development Expenses	213.14	24.81
Exchange Fluctuation(Net)	454.38	164.65
	19,275.58	5,147.22
Add: Pre-operative expenses brought forward	3,433.18	148.76
	22,708.76	5,295.98
Less:- Sales during trial run		
Gross Sales	5733.94	
Less:-Excise Duty	961.41	
Less: Interest from investment	3,066.07	785.49
Less:-Stock generated during trial run	1,026.90	-
Less: Capitalised during the year	9,539.99	1,077.31
Pre-operative expenses carried over	4,303.27	3,433.18

30 Additional Information Pursuant to Paragraphs 3 & 4 of Part II of the Schedule VI of the Companies Act, 1956.

A. INSTALLED CAPACITY:

Description	Unit	Installed Capacity	
		Current Year	Previous Year
AT HISAR:			
1. Strip Mill/Tandem Mill	MT	250000	250000
2. Plate/Steckel Mill	MT	450000	450000
3. Steel Melting	MT	550000	550000
4. Cupro Nickle Melting	MT	6000	6000
5. Cold Rolling Mill			
i) Cold Rolled Strips	MT	150000	150000
ii) Cold Rolled Special Steel	MT	12000	12000
iii) Coin Blanks	MT	10000	10000
6. Oxygen Plant:			
i) Oxygen Gas	M. Cum.	37.50	37.50
ii) Argon Gas	M. Cum.	0.58	0.58
7. Industrial Machinery*	Nos.	209	209
AT VIZAG			
High Carbon Ferro Chrome	MT	40000	40000
AT ORISSA/MINES			
High Carbon Ferro Chrome	MT	150000	-
Chrome Ore Concentrate	MT	72000	72000

NOTES:

- Licensed capacity: Company's products since delicensed.
- Installed capacity is as certified by the Management.
- *No. is only indicative since machines are of different nature/size/cost etc.

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B. RAW MATERIAL CONSUMPTION:-

Description	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs. in Lacs)	Qty.	Amount (Rs. in Lacs)
Steel Scrap	MT	382029	91117.58	363949	76482.68
Ferro Nickel*	MT	5396	36114.07	9626	48794.51
Ferro Chrome	MT	87182	29679.46	81423	29246.17
Silica Manganese	MT	42009	15461.29	40537	19904.51
Ferro Manganese	MT	23594	7520.27	27963	12595.90
Ferro Silicon	MT	7610	2953.11	9603	4417.24
Chrome Ore	MT	48406	2554.10	30404	1019.61
Leco/Hard/Oil/Ash/Nut coke	MT	19718	1,564.53	9503	792.02
Hot Rolled Strips/Coils	MT	-	-	4444	1331.92
Mollasses	MT	4198	201.72	3989	187.08
Quartz	MT	6818	19.69	6942	14.08
Others			22525.77		26300.47
			209,711.59		221,086.19
Less:- Inter unit transfer of raw material included in above			6,216.19		5,797.36
			203495.40		215288.83

Note:-Sale of raw material has been deducted at sale price to arrive at the value of raw material consumed.

* Includes hedging gain Nil (Previous Year Rs.107.42 Lacs)

TRADING GOODS PURCHASE

Cold Rolled Strips	MT	3891	3165.95	3720	2973.59
SS Welded & cold drawn Tube pipe	MT	148	162.15	36	32.20
S.S. Wire	MT	4	2.79	-	-
S.S. Bar	MT	70	40.59	-	-
Shredded Scrap(High Seas)	MT	10276	1,252.59	-	-
			4624.07		3005.79

C. OPENING & CLOSING STOCKS

Description	Unit	Opening Stock 01.04.04		Closing Stock 31.03.05		Closing Stock 31.03.06	
		Qty.	Amount (Rs.in Lacs)	Qty.	Amount (Rs.in Lacs)	Qty.	Amount (Rs.in Lacs)
MANUFACTURED FINISHED GOODS							
Flats	MT	7110	2663.47	808	377.57	1725	715.96
Hot Rolled Strips/Plates	MT	2543	1418.07	14972	8951.26	28731	19260.46
Cold Rolled Strips & Sheets	MT	1946	1408.46	2610	2298.24	6091	5057.61
CR SS Circles/Sheet/Tubes	MT	-	-	-	-	528	374.37
Coin Blanks	MT	278	325.32	303	357.39	248	75.98
H.C. Ferro Chrome	MT	793	168.73	736	212.85	2340	874.11
Life Style Products	No.	6	51.04	19	76.06	-*	-
S.S.Round/Wire Rod	MT	10	2.93	9**	2.50	9**	2.50
S.S.Welded & Cold Drawn Tubes/Pipes	MT	-	-	-	-	27	15.89
Architectural Products	MT	1	4.23	-	-	-	-
Cold Rolled Special Steel	MT	6	2.88	41	33.06	44	32.06
Uncoated Plates	MT	2	0.27	2	0.30	-	-
Steel Scrap	MT	14	2.23	14	2.23	14	2.23
Chrome Ore	MT	231672	775.42	259446	1,260.51	387559\$	1,940.02
Chrome Ore Concentrate	MT	1354	8.32	12299	219.01	16327	380.14
Oxygen (Gas & Liquid)	Cum.	61091	6.12	22573	2.26	52000	5.72
TOTAL			6837.49		13793.24		28737.05
TRADING GOODS							
Cold Rolled Strips	MT	-	-	64	59.84	179	121.59
SS Welded Cold Drawn tube	MT	-	-	18	11.92	-	-
Life Style Products	No.	2486	0.08	-	-	-	-
TOTAL			0.08		71.76		121.59
G. Total			6837.57		13865.00		28858.64

* Transferred under the Scheme of Arrangement.

** Used as scrap Nil (Previous year 1 MT)

*** Shortage 2 MT (Previous year NIL)

\$ During the year Chrome Ore 80052 MT recovered within mines.

D. PRODUCTION

Description	Unit	Current Year	Previous Year
1. HISAR PLANT			
a) Steel Melting			
Bloom/Slab/Ingot	MT	338	27697
b) Strips Mill Plant:			
Flat *	MT	150584	168752
Hot Rolled Strips #	MT	1093	25592
* Includes 3514 MT (Previous Year 2123 MT) sent to Job worker for conversion to CR Sheets/Circle			
* Includes NIL (Previous Year 808 MT) manufactured for outside parties on Job work basis from Scrap/Ingot.			
# Includes 1073 MT (Previous Year 392 MT) transferred to CR unit for conversion to Cold Rolled Special Steel.			
c) Plate/Stackle Mill:			
Hot Rolled Strips/S.S.Plates*	MT	386614	343529
* Includes 96222 MT (Previous Year 125040 MT) transferred to CR Unit for conversion to CR Strips.			
* Includes 16819 MT (Previous Year 14835 MT) transferred to CR Unit for conversion to CR SS Special Steel.			
* Includes NIL (Previous Year 4271 MT) got manufactured from outside parties on job work basis from slabs.			
* Includes 1154 MT (Previous Year 4672 MT) manufactured for outside parties on job-work basis from scrap/ingot.			
* Includes 3753 MT sent to outside parties for job work for conversion to CR Strips/tubes			
* Includes NIL (Previous Year 63 MT) transfer to Architecture division for further processing.			
d) Cupro Nickel Plant			
Cupro Nickel Coil*	MT	1	32
* Transferred to Cold Rolling Unit for conversion.			
e) Oxygen Plant:			
Oxygen	Cum.	29799	63120
f) Industrial Machinery:			
Manufactured Machinery			Production of industrial machinery being numerous and having different nature,size,cost,etc.;have not been given.
g) Cold Rolling Mill			
Cold Rolled Strips*	MT	89731	69097
Cold Rolled Special Steel	MT	11869	8251
Coin Blanks	MT	486	754
* Includes 17900 MT (Previous Year 15325 MT) got manufactured from outside parties on job work basis and does not include production of HRAP 1965 MT(Previous Year 52182 MT) for H.R. Division			
* Includes Nil (Previous Year 336 MT) transferred to Life Style Product and Architectural Division for captive use.			
2. VIZAG PLANT			
H.C. Ferro Chrome #	MT	30861	35698
Chrome ore Briquittes*	MT	12267	-
# Includes 29433 MT (Previous Year 15286 MT) transferred to HR Division for Captive use.			
# Includes NIL (Previous Year 20469 MT) manufactured on Job work for HR Division.			
* 352 MT (Previous Year Nil) Captive consumption in Orissa and shortage 10 MT.			
3. ORISSA PLANT/MINES			
H.C. Ferro Chrome #	MT	2697	-
Chrome Ore \$	MT	82201	58075
Chrome Ore Concentrate*	MT	34318	32972
# Includes 2545 MT (Previous Year NIL) transferred to HR Division for Captive use.			
# Excluding 1654 MT Transferred from trial run production in Orissa project .			
\$ Includes 27952 MT (Previous Year 15562 MT) captive use.			
* Includes 5963 MT (Previous Year 9236 MT) Captive use.			
4. Architectural Product #	MT	-	150
5. Life Style Product #	MT	-	103

Divisions transferred pursuant to Scheme of Arrangement.

NOTES:

- 1) Production figures do not include the material produced and transferred for further process, but includes Inter Divisional transfers.
- 2) Total production of Ingots/Blooms/Slabs from Electric Arc Furnace was **547352 MT** (Previous Year 530185 MT)

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E. SALES

Description	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs. in Lacs)	Qty.	Amount (Rs. in Lacs)
i) Manufactured Goods					
FINISHED GOODS					
Hot Rolled Strips/Plate S.S.	MT	254927	165929.19	211690	150910.94
Cold Rolled Strips	MT	86250	86819.56	68096	68993.09
Hot Rolled Flats S.S.	MT	146153	61587.11	172123	80843.45
Cold Rolled Special Steel	MT	11866	16068.07	8216	10008.02
S.S.Welded & Cold Drawn Tubes/Pipes	MT	45*	40.91	-	-
Cold Rolled S.S. Blank	MT	541	577.83	728	749.78
Cold Rolled S.S.Circle	MT	1272**	827.19	1196	885.96
Life Style Products	MT	-	-	90	534.92
Life Style Products (Accessories)	***	-	-	-	112.52
Architectural Products	MT	-	-	151	726.82
H.C. Ferro Chrome	MT	1,630	474.55	-	-
Chrome Ore	MT	6188	144.28	14739	260.66
Chrome Ore Concentrate	MT	24327	956.08	12790	222.99
Chrome Ore Briquettes	MT	11905	742.31	-	-
Oxygen Gas	Cum.	372	7.18	101638	9.36
Total (i)	MT	545103	334174.26	489819	314258.51
	Cum.	372		101638	
* Out of 72 MT (Previous Year NIL) got manufactured from outside parties.					
** Out of 1800 MT (Previous Year 1196 MT) got manufactured from outside parties.					
*** Being numerous size & nature.					
ii) SEMI FINISHED GOODS:					
Bloom/Slab/Ingot	MT	338	498.13	27697	17119.55
Total (ii)		338	498.13	27697	17119.55
iii) TRADING GOODS:					
Cold Rolled Strips	MT	3776	3047.53	3656	2840.66
S.S.Welded & Cold Drawn Tube Pipes	MT	166	188.72	18	18.08
Life style Products	No.	-	-	2486	0.12
SS Wire	MT	4	3.25		
SS Bar	MT	70	43.21		
Shredded Scrap(High Seas)	MT	10276	1159.52		
Total (iii)		14293	4442.23	3674	2858.86
Total (a) (i+ii+iii)			339114.62		334,236.92
Job charges			1174.27		1255.34
Export Benefits			9171.66		6750.18
Total (c)			10345.93		8,005.52
Total (a+b+c)			349460.55		342242.44
NOTES:					
1 Sales includes the following goods issued for captive consumption as detailed below:-					
Hot Rolled Strips/Plate S.S.	MT	1341	3655.92	141	199.16
Oxygen Gas	Cum	-	-	23400	2.17
	MT	1341	3655.92	141	201.33
	CUM	-	-	23400	

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

Description	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Raw Material	92864.04	87573.86
Stores & Spares	4857.59	2755.42
Capital Goods	14140.81	12218.28

G. BREAK UP OF CONSUMPTION OF RAW MATERIALS AND STORES AND SPARES

	%	Current Year Amount (Rs. in Lacs)	%	Previous Year Amount (Rs. in Lacs)
a) RAW MATERIALS CONSUMED:-				
i) Imported (including purchased through canalising agencies, High Seas Sales and others)	47.16	95971.90	43.55	93752.59
ii) Indigenous	52.84	107523.50	56.45	121536.24
	<u>100.00</u>	<u>203495.40</u>	<u>100.00</u>	<u>215288.83</u>
b) STORES AND SPARES CONSUMED:-				
i) Imported (including purchased through canalising agencies, High Seas Sales and others)	19.73	3488.64	30.76	5266.25
ii) Indigenous	80.27	14194.99	69.24	11853.26
	<u>100.00</u>	<u>17683.63</u>	<u>100.00</u>	<u>17119.51</u>

**H. EXPENDITURE IN FOREIGN CURRENCY
(as remitted)**

	Current Year Amount (Rs. in Lacs)	Previous Year Amount (Rs. in Lacs)
i) Export selling expenses	1196.84	568.02
ii) Interest	3730.25	1094.18
iii) Quality Claim	2250.78	57.83
iii) Travelling	77.97	88.16
iv) Technical Know-How	634.06	529.22
v) Legal & Professional Expenses	91.21	945.90
vi) Others	134.36	164.06

I. EARNINGS IN FOREIGN CURRENCY

	Current Year Amount (Rs. in Lacs)	Previous Year Amount (Rs. in Lacs)
F.O.B. value of export	112069.77	101833.23
Interest	120.35	114.78
Others	247.26	178.71

J. REMITTANCE OF DIVIDEND ON EQUITY SHARES

	Current Year	Previous Year
1. a) Year to which dividends relates	2003-04	2003-04
b) Amount remitted (net of tax) (Rs. in Lacs)	-	72.30
c) Number of Non Resident Shareholders	-	49
d) Number of Equity Shares held	-	9037725
2. a) Year to which dividends relates	2004-05	2004-05
b) Amount remitted (net of tax) (Rs. in Lacs)	108.46	108.34
c) Number of Non Resident Shareholders	50	46
d) Number of Equity Shares held	9037935	9028730

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31 Balance Sheet Abstract and Company's General Business Profile pursuant to Part IV of Schedule VI of the Companies Act,1956

i) Registration Details

Registration Number	H-10901	State Code	05
Balance Sheet Date	31.03.06		

ii) Capital Raised during the year (Rs. in Lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

iii) Position of Mobilisation and Deployment of Funds (Rs. in Lacs)

Total Liabilities	349847.23	Total Assets	349847.23
-------------------	------------------	--------------	------------------

Sources of Funds

Equity Capital	Paid-Up Capital	Reserves & Surplus
	2611.04	98309.97
	Secured Loans	Un-Secured Loans
	190500.56	30595.83

*Excluding deferred tax liability of Rs.27829.83 Lacs

Application of Funds

Net Fixed Assets	240551.94	Investments	31021.77
Net Current Assets	78069.69	Misc. Expenditure	203.83
Accumulated Losses	NIL		

iv) Performance of Company (Rs. in Lacs)

Turnover	320260.98	Total Expenditure	295983.50
Profit Before Tax	24022.70	Profit After Tax	15972.59
Earning Per Share	Rs.14.26	Dividend Per Share	Rs.1.60

v) Generic names of two principal products of Company (As per monetary terms)

Item Code No. (ITC Code)	72.19/72.20
Product Description	S.S.Hot Rolled/Cold Rolled Strips & Sheets, Flats & Plates
Item Code No. (ITC Code)	72.02
Product Description	Ferro Chrome

32 Previous years' figures have been re-arranged and regrouped wherever considered necessary.

33 **Schedule 1 to 20** are annexed to and form integral part of the Balance Sheet and Profit & Loss Account. Signatures to Schedules 1 to 20

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Membership No.85155

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

(ARUN K. TULSIAN)
Partner
Membership No.89907

RATAN JINDAL
Vice - Chairman & Managing Director

A.P. GARG
Sr. Vice - President & Company Secretary

R.G. GARG
Dy. Managing Director

N.C. MATHUR
Director - International
Marketing

SAVITRI DEVI JINDAL
Chairperson

ARVIND PARAKH
Director - Finance

RAJINDER PARKASH
Executive Director

————— Directors —————
SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2006

PARTICULARS	CURRENT YEAR		(RS. IN LACS)	
	AMOUNT	AMOUNT	PREVIOUS YEAR AMOUNT	AMOUNT
A. Cash Inflow / (Outflow) from Operating Activities				
Net Profit / (Loss) Before Tax & Exceptional Item	24,277.48		35,780.85	
Adjustment for:				
Depreciation	13,611.43		13,098.96	
Provision for Doubtful Debts & Advance	201.60		215.64	
Prior period Adjustments (Liability w.back)	(287.92)		(42.35)	
Misc. Expenses Written Off	36.14		39.31	
Misc. Expenses Incurred	(79.21)		-	
Unrealised Exchange Fluctuation Loss / (Gain)	(29.63)		(667.89)	
Interest and Bank Charges	5,580.89		4,598.97	
Dividend Income	(482.26)		(3.60)	
(Profit) / Loss on Sale of Investments (Net)	54.14		(44.35)	
(Profit) / Loss on Sale/Discard of Fixed Assets (Net)	197.84		3.09	
Operating Profit Before Working Capital Changes	43,180.50		52,978.63	
Adjustment for:				
(Increase) / Decrease in Inventories	(17,101.18)		(8,710.10)	
(Increase) / Decrease in Sundry Debtors	(2,804.16)		(18,212.02)	
(Increase) / Decrease in Loans & Advances	(7,381.57)		(72.92)	
Increase / (Decrease) in Current Liabilities	20,423.11		13,996.82	
Cash Inflow from Operating Activities Before Exceptional Items	36,316.70		39,980.41	
Income Tax (Advance) / Refund	(4,884.05)		(8,538.79)	
Net Cash Inflow from Operating Activities		31,432.65		31,441.62
B. Cash Inflow / (Outflow) from Investing Activities				
Sale/Redemption/(purchase) of Investment (Net)	(9,759.22)		(11,914.21)	
Investment in Subsidiaries	(767.56)		(4,088.37)	
Loan given to Subsidiaries	(1,255.27)		(1,127.72)	
Capital Expenditure (including advances for capital expenditure)	(93,784.34)		(65,097.50)	
Sales Proceeds of Fixed Assets Sold	1,077.33		194.49	
Dividend Received	482.26		3.60	
Interest Received	4,406.70		1,711.90	
Net Cash Outflow from Investing Activities		(99,600.10)		(80,317.81)

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PARTICULARS	CURRENT YEAR		(RS. IN LACS)	
	AMOUNT	AMOUNT	AMOUNT	AMOUNT
C. Cash Inflow / (Outflow) from Financing Activities				
Dividend Paid (including Corporate Dividend Tax)	(1,496.11)		(2,358.20)	
Interest and Finance Charges Paid	(7,910.40)		(6,791.68)	
Proceeds from / (Repayment of) Borrowings (Net)	91,716.74		60,525.81	
Net Cash Intflow from Financing Activities		82,310.23		51,375.93
Net Changes in Cash & Cash Equivalents		14,142.78		2,499.74
Cash & Cash Equivalents (Closing Balance)	19,707.07		5,677.09	
Transferred under the Scheme of Arrangement to Austentic Creation Private Limited and Jindal Architecture Limited	112.80		-	
Cash & Cash Equivalents (Opening Balance)	(5,677.09)		(3,177.35)	
Net Changes in Cash & Cash Equivalents		14,142.78		2,499.74
Notes :				
1) Cash and cash equivalents includes :-				
Cash, Cheques and Stamps in hand	1,362.68		381.17	
Balance with Banks	18,344.35		5,295.88	
Puja & Silver Coins	0.04		0.04	
	19,707.07		5,677.09	

- 2) The Transfer and vesting of Life Style Division and Archetecure Division of the company to Austenitic Creations Private Limited and Jindal Architecture Limited with effect from 1-4-2005 pursuant to Scheme of Arrangement is cash neutral and does not effect the cash flow. Accordingly current year figures are not comparable with those of previous year.
- 3) Increase in Paid up Share Capital & Share Premium are cash neutral and as such not considered in this statement.

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR **LODHA & CO.** FOR **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants Chartered Accountants

(N.K. LODHA) **(ARUN K. TULSIAN)**
Partner Partner
Membership No.85155 Membership No.89907

RATAN JINDAL
Vice - Chairman & Managing Director

A.P. GARG
Sr. Vice - President & Company Secretary

SAVITRI DEVI JINDAL
Chairperson

ARVIND PARAKH
Director - Finance

R.G. GARG
Dy. Managing Director

RAJINDER PARKASH
Executive Director

N.C. MATHUR
Director - International
Marketing

————— Directors —————

SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

Statement pursuant to section 212 of the Companies Act, 1956, relating to company's interest in Subsidiary Companies

Particulars	Subsidiary Companies					
	PT. Jindal Stainless Indonesia	Jindal Stainless Steelway Limited	Jindal Architecture Ltd.	Austenitic Creations Private Limited	Jindal Stainless UK Limited	Jindal Stainless FZE
a) Holding Company's interest	Holder of 74,99,900 Equity Shares of US \$ 1 each out of the subscribed capital of 75,00,000 Equity Shares of US \$ 1 each. 31st March, 2006	Holder of 1,18,00,000 Equity Shares of Rs. 10/- each out of the subscribed capital of 1,44,05,810 Equity Shares of Rs. 10/- each. 31st March, 2006	Holder of 41,00,100 Equity Shares of Rs. 10/- each out of the subscribed capital of 41,02,500 Equity Shares of Rs. 10/- each. 31st March, 2006	Holder of 42,00,930 Equity Shares of Rs. 10/- each out of the subscribed capital of 42,04,400 Equity Shares of Rs. 10/- each. 31st March, 2006	Holder of 1,00,000 Equity Shares of Ponds 1 each out of the subscribed capital of 1,00,000 Equity Shares of Ponds 1 each. 31st March, 2006	Holder of 1 Equity Shares of AED 10,00,000 each out of the subscribed capital of 1 Equity Shares of AED 10,00,000 each 31st March, 2006
b) Financial year of the company ended on	31st March, 2006	31st March, 2006	31st March, 2006	31st March, 2006	31st March, 2006	31st March, 2006
c) Net aggregate amount of subsidiary company's profit (loss) not dealt within the company's Account.	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i) For the subsidiary company's financial year ended 31 st March, 2006.	: (76,707,579.22)	: 4,708,819.66	: (22,030,341.50)	: (1,508,955.40)		
ii) For the subsidiary company's previous financial periods, since it became the holding company's subsidiary.	: (33,953,333.28)	: Nil	: Nil	: Nil		
d) Net aggregate amount of the subsidiary company's profit/loss dealt within the company's Account.	: Nil	: Nil	: Nil	: Nil	: Nil	: Nil
i) For the subsidiary company's financial period ended 31 st March, 2006.	: Nil	: Nil	: Nil	: Nil	: Nil	: Nil
ii) For the subsidiary Company's previous financial period since it became the holding Company's subsidiary	: N.A.	: N.A.	: N.A.	: N.A.	: N.A.	: N.A.
e) As the financial year of the above subsidiary companies coincides with the financial year of the holding Company section 212(5) of the Companies Act, 1956 is not applicable.						

SAVITRI DEVI JINDAL
Chairperson

R.G. GARG
Dy. Managing Director

RATAN JINDAL
Vice - Chairman & Managing Director

RAJINDER PARKASH
Executive Director

A.P. GARG
Sr. Vice - President & Company Secretary

N.C. MATHUR
Director - International Marketing

ARVIND PARAKH
Director - Finance

____ Directors ____
SUMAN JYOTI KHATTAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF JINDAL STAINLESS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JINDAL STAINLESS LIMITED AND ITS SUBSIDIARIES.

We have examined the attached consolidated Balance Sheet of Jindal Stainless Limited and its subsidiaries as at 31st March, 2006 and the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for the year then ended.

1. These financial statements are the responsibility of the Jindal Stainless Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
2.
 - a) We did not audit the financial statements of subsidiaries PT Jindal Stainless Indonesia, Jindal Stainless Steelway Ltd., Jindal Architecture Ltd. and Austenitic Creations Pvt. Ltd. whose financial statements reflect total assets of Rs.30,512.48 Lacs as at 31st March, 2006 and total revenues of Rs.33,734.33 Lacs for the year then ended. These financial statements have been audited by respective auditors (including audit of a foreign subsidiary PT Jindal Stainless Indonesia whose accounts have been audited as per applicable GAAP of the country) whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
 - b) We did not audit the separate financial statements of other subsidiaries Jindal Stainless FZE and Jindal Stainless UK whose unaudited financial statements reflect total assets of Rs.198.92 Lacs as at 31st March, 2006 and total revenues Nil for the year then ended. The said financial statements, which were furnished to us by the management, were unaudited. We are unable to express an opinion on true and fair view insofar as it relates to amounts considered in the consolidated financial statements of subsidiaries for the reason as stated above.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Jindal Stainless Limited and its aforementioned subsidiaries.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Jindal Stainless Limited and its subsidiaries (including unaudited financial statements of two of the subsidiaries) included in the consolidated financial statements read together with Notes on Accounts of Consolidated Financial Statements, we are of the opinion that:-

- (a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Jindal Stainless Limited and its subsidiaries as at 31st March, 2006;
- (b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Jindal Stainless Limited and its subsidiaries for the year then ended; and
- (c) the consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Jindal Stainless Limited and its subsidiaries for the year ended on that date.

For **LODHA & CO.**
Chartered Accountants

For **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants

Place : New Delhi
Dated : 18th August, 2006

(N.K. LODHA)
Partner
Membership No.85155

(ARUN K. TULSIAN)
Partner
Membership No.89907


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

DESCRIPTION	SCHEDULE	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Share Capital - Equity	1	2,611.04	2,198.20
Reserves and Surplus	2	96,748.59	75,400.54
		<u>99,359.63</u>	<u>77,598.74</u>
MINORITY INTEREST		294.19	116.98
LOAN FUNDS :			
Secured Loans	3	201,420.27	110,642.91
Unsecured Loans	4	32,086.27	33,939.46
		<u>233,506.54</u>	<u>144,582.37</u>
Deferred Tax Liability (Net) (Note No. 17 of Schedule 20)		27,331.00	22,386.76
TOTAL		<u>360,491.36</u>	<u>244,684.85</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	234,990.18	179,903.56
Less: Depreciation/Amortisation		43,608.85	32,455.46
		191,381.33	147,448.10
Add: Capital Work in Progress		63,375.48	35,508.98
NET BLOCK		<u>254,756.81</u>	<u>182,957.08</u>
INVESTMENTS	6	25,345.04	15,211.97
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	76,119.74	57,265.49
Sundry Debtors	8	31,027.32	28,162.36
Cash and Bank Balances	9	20,975.63	5,984.26
Loans and Advances	10	68,100.97	46,125.48
		<u>196,223.66</u>	<u>137,537.59</u>
LESS:CURRENT LIABILITIES & PROVISIONS			
Liabilities	11	98,426.29	78,758.02
Provisions	12	17,621.26	12,435.72
		<u>116,047.55</u>	<u>91,193.74</u>
NET CURRENT ASSETS		<u>80,176.11</u>	<u>46,343.85</u>
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	13	213.40	171.95
TOTAL		<u>360,491.36</u>	<u>244,684.85</u>
Notes forming part of accounts	20		

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR **LODHA & CO.**
Chartered Accountants

(**N.K. LODHA**)
Partner
Membership No.85155

FOR **S.S. KOTHARI MEHTA & CO.**
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(**ARUN K. TULSIAN**)
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Executive Director

Directors
SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006

ANNUAL REPORT 2005 - 06

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

DESCRIPTION	SCHEDULE	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
INCOME			
Gross Sales and Operational Income	14	356,223.37	338,075.18
Less : Excise Duty		31,172.19	22,738.05
Net Sales and Operational Income		325,051.18	315,337.13
Other Income	15	1,766.62	574.54
		<u>326,817.80</u>	<u>315,911.67</u>
EXPENDITURE			
Material, Manufacturing and Others	16	259,971.87	247,858.12
Personnel	17	6,411.19	4,768.04
Administrative and Selling	18	15,684.79	11,990.95
Interest and Bank Charges	19	6,096.58	3,506.70
Miscellaneous Expenditure Written off		38.54	39.31
Depreciation/Amortisation		14,680.96	13,494.56
		<u>302,883.93</u>	<u>281,657.68</u>
PROFIT BEFORE TAXATION			
		23,933.87	34,253.99
Less:			
Provision for Taxation		2,676.21	8,794.12
Fringe Benefit Tax		83.24	-
Provision for Deferred Tax		4,922.76	2,257.96
Previous Year Taxation Adjustment		36.61	4.28
PROFIT AFTER TAXATION			
		16,215.05	23,197.63
MINORITY INTEREST			
		28.38	-
NET PROFIT			
		16,186.67	23,197.63
ADD/(LESS)			
Amount Brought Forward		730.95	2,203.50
Debenture Redemption Reserve Written Back		-	725.00
PROFIT AVAILABLE FOR APPROPRIATION			
		16,917.62	26,126.13
Proposed Dividend on Equity Shares		2,088.83	-
Interim Dividend on Equity Shares		-	2,637.84
Corporate Dividend Tax		292.96	357.34
Debenture Redemption Reserve		4,394.41	1,000.00
General Reserve		8,000.00	21,400.00
Balance carried to Balance Sheet		2,141.42	730.95
		<u>16,917.62</u>	<u>26,126.13</u>
Earning Per Share (in Rs.) (Noe No. 16 of Schdule 20)			
- Basic		14.45	22.61
- Diluted		11.16	17.55
Notes forming part of accounts	20		

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Membership No.85155

FOR S.S. KOTHARI MEHTA & CO.
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(ARUN K. TULSIAN)
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Executive Director

Directors

SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "1"		
SHARE CAPITAL		
AUTHORISED		
27,45,00,000 Equity Shares of Rs.2/- each (Previous Year 27,45,00,000 Equity Shares of Rs.2/- each)	5,490.00	5,490.00
10,05,00,000 Unclassified Shares of Rs.2/- each (Previous Year 10,05,00,000 Unclassified Shares of Rs.2/- each)	2,010.00	2,010.00
2,00,00,000 Redeemable Cumulative Non-Convertible Preference Shares of Rs.10/- each	2,000.00	2,000.00
	9,500.00	9,500.00
ISSUED, SUBSCRIBED AND PAID UP		
13,05,51,856 - Equity Shares of Rs.2/-each fully paid up (Previous Year 10,99,09,844 Equity Shares of Rs.2/- each)	2,611.04	2,198.20
TOTAL	2,611.04	2,198.20

Of the above :-

- A) 1,37,78,717 Equity Shares of Rs 10/-each fully paid up issued to Shareholders of Jindal Strips Limited pursuant to Scheme of Arrangement & Demerger.
- B) One Equity Share of Rs.10/-each fully paid up issued to Shareholders of J - Inox Creations (P) Ltd. and Austenitic Creations (P) Ltd. pursuant to the Scheme of Amalgamation.
- C) 51,53,293 Fully Paid Up Bonus Equity Shares of Rs.10/- each in the ratio of 253 equity shares of Rs.10/- each for every 679 Equity Shares of Rs.10/- each, allotted out of Share Premium and Capital Redemption Reserve to the equity shareholders of the company pursuant to Scheme of Arrangement & Demerger.
- D) 9,99,752 Fully Paid Equity Shares of Rs.10/- each fully paid up allotted to the holders of 460 ECB of US\$ 5000 each at predetermined (as per scheme) conversion rate of Rs. 100/- each on 13.01.2004.
- E) Company has subdivided the Equity Shares of Rs.10/- each into Equity Shares of Rs.2/- each on 10.03.2004.
- F) 99,97,524 Fully Paid Equity Shares of Rs.2/- each fully paid up allotted to the holders of 920 ECB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs. 20/- each on 24.12.2004.
- G) 39,07,028 Fully Paid Equity Shares of Rs.2/- each fully paid up have been allotted to the holders of 2141 FCCB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs.119.872 each during the year ended 31.3.2006.
- H) 1,67,34,984 Fully Paid Equity Shares of Rs.2/- each fully paid up have been allotted to the holders of 1540 ECB of US \$ 5000/- each at predetermined (as per scheme) conversion rate of Rs.20/- each during the year ended 31.3.2006.

SCHEDULE - "2"
RESERVES AND SURPLUS

a) SECURITIES PREMIUM ACCOUNT		
As per last Account	10,746.66	8,947.11
Add : On Conversion of ECB / FCCBs	7,617.59	1,799.55
	18,364.25	10,746.66
b) GENERAL RESERVE		
As per last Account	60,762.10	39,688.34
Add :Transferred from Profit and Loss Account	8,000.00	21,400.00
	68,762.10	61,088.34
Less : Foreign Currency Translation Reserve (includes arised on consolidation)	(74.42)	(326.24)
	68,687.68	60,762.10
c) DEBENTURE REDEMPTION RESERVE		
As per last Account	1,000.00	725.00
Add :Transferred from Profit and Loss Account	4,394.41	1,000.00
Less : Written Back During the Year	-	725.00
	5,394.41	1,000.00
d) CENTRAL/STATE SUBSIDY RESERVE		
As per last Account	39.27	39.27
(Against fulfilment of certain stipulations)	39.27	39.27
e) CAPITAL REDEMPTION RESERVE	2,000.00	2,000.00
f) AMALGAMATION RESERVE	121.56	121.56
g) SURPLUS-PROFIT AND LOSS ACCOUNT	2,141.42	730.95
TOTAL	96,748.59	75,400.54

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DESCRIPTION SCHEDULE - "3"	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SECURED LOANS:		
A) REDEEMABLE NON-CONVERTIBLE DEBENTURES	43,000.00	20,000.00
	<u>43,000.00</u>	<u>20,000.00</u>
B) TERM LOANS FROM BANKS & INSTITUTIONS		
Rupee Term Loans	84,603.77	39,336.12
Foreign Currency Loans	49,349.65	43,301.32
	<u>133,953.42</u>	<u>82,637.44</u>
C) CAR LOANS		
From Banks	74.43	6.97
From Institutions	15.08	3.35
	<u>89.51</u>	<u>10.32</u>
D) WORKING CAPITAL LOAN FROM BANKS	24,377.34	7,995.15
	<u>24,377.34</u>	<u>7,995.15</u>
GRAND TOTAL (A+B+C+D)	201,420.27	110,642.91
	<u>201,420.27</u>	<u>110,642.91</u>

NOTES :

- A.** (1) Debentures referred to in A above are secured by pari-passu charge by way of mortgage on the company's immoveable properties located in State of Gujarat and hypothecation of moveable assets in favour of Debenture Trustee ranking pari-passu with other financial institutions/banks.
- (2) Debentures referred to the A above are privately placed and consists of:
- i) 6.90% debentures of Rs.10,00,000 each aggregating to Rs.20,000.00 Lacs (Previous Year Rs.20,000.00 Lacs) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 3rd August, 2004.
 - ii) 7.50% debentures of Rs.10,00,000 each aggregating to Rs.10,000.00 Lacs (Previous Year Nil) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 15th April, 2005.
 - iii) 7.75% debentures of Rs.10,00,000 each aggregating to Rs.13,000.00 Lacs (Previous Year Nil) are redeemable in five equal annual instalments at the end of 6th, 7th, 8th, 9th & 10th year from the date of allotment i.e. 28th Dec., 2005.
 - iv) Debentures referred in (i) & (ii) above are also secured by having pari-passu charge by way equitable mortgage on the properties situated at Hisar & Vizag.
- B.** (1) Term loans from Banks includes loans of Rs.106073.09 Lacs (Previous Year Rs.56846.64 Lacs), for which charge is created / to be created by way of mortgage of company's immoveable properties and hypothecation of moveable assets both present and future ranking pari-passu with other banks.
- (2) Term loans from Banks includes loans of Rs.4333.69 Lacs (Previous Year Rs.5311.87 Lacs) secured by way of mortgage of immoveable properties and hypothecation of moveable assets of the company and second charge on the current assets of the company ranking pari-passu with other banks.
- (3) Term loans from Banks includes loans of Rs.14,827.15 Lacs (Previous Year Rs.11,049.40 Lacs), which are secured by way of mortgage of company's immoveable properties and hypothecation of moveable assets and by way of second charge on current assets of company and personal guarantee of directors.
- (4) Term loans from Banks includes loans of Rs.875.00 Lacs (Previous Year Rs.1375.00 Lacs) secured by way of First charge of fixed assets of the company ranking pari-passu with other Financial Institution/Banks and guaranteed by Managing Director.
- (5) Term Loan of Rs.7844.49 Lacs (Previous Year Rs.7885.76 Lacs) is Secured by collateral corporate Guarantee given by the Company and by pledging of 51% equity shareholding of company in subsidiary PT. Jindal Stainless Indonesia with banks.
- C.** Secured by way of hypothecation of vehicles purchased thereunder.
- D.** Working capital loans are secured by way of hypothecation of finished goods, raw-materials, work-in-progress, stores and spares, book debts and by way of second charge in respect of other moveable and immoveable properties of the company ranking pari-passu.


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "4"		
UNSECURED LOANS		
2.50% Euro Convertible Bonds *	178.48	3,543.35
0.50% Foreign Currency Convertible Bonds **	21,997.89	26,247.00
Fixed Deposits	1,704.80	2,291.98
Loan From Bank	6,490.44	-
Security Deposits from Agents / Dealers / Others	1,714.66	1,857.13
TOTAL	32,086.27	33,939.46

NOTE:

* 5.75% Euro Convertible Bonds (net of Indian Withholding Tax up to 10%) were issued to Foreign Investors on 17th December, 1999 by Jindal Strips Limited, in terms of the offering circular dated 16-12-99, these Bonds may be converted into Equity Shares of nominal value of Rs.2/- each at the option of the holders at any time on or after 17th March, 2000 at a pre-determined price of Rs.20/- per Equity Share.

Pursuant to Supplemental Trust Deed dated 17th December, 2004, the rate of interest to be received by the Bond holders (net of Indian Withholding Tax up to 10%) will be 2.50% per annum and unless previously redeemed or converted, the Company will compulsorily convert the outstanding bonds into Equity Shares on 17th December, 2006.

Holders of 1,540 No. of Euro Convertible Bonds of USD 5000.00 each opted for conversion into Equity Shares of nominal value of Rs 2/- each at pre-determined price of Rs.20.00 per share during the year ended 31.03.2006.

** 0.50% Foreign Currency Convertible Bonds were issued to foreign investors on 24th December, 2004 by the company, in terms of the Offering Memorandum dated 17th December, 2004. These Bonds at the option of the holder, may be converted into Equity Shares of nominal value of Rs.2/- each at any time on or after 22nd January, 2005 at a pre-determined price of Rs.119.872 per Equity Share.

Unless previously redeemed, repurchased and cancelled, or converted, the Bonds are redeemable at 129.939% of their principal amount on 24th December, 2009.

Holders of 2,141 No. of Foreign Currency Convertible Bonds of USD 5000.00 each opted for conversion into Equity Shares of nominal value of Rs. 2/- each at pre-determined price of Rs.119.872 per share during the year ended 31.03.2006.

SCHEDULE - "5"

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	COST AS ON 01.04.2005	ADDITIONS DURING THE YEAR	SALE/ ADJUSTMENT DURING THE YEAR \$	TOTAL AS ON 31.03.2006	UPTO LAST YEAR	DURING THE YEAR *	ON SALE/ ADJUSTMENT \$	TOTAL UPTO 31.03.2006	31.03.2006	31.03.2005
LAND **	6,511.69	3,267.30	(51.07)	9,830.06	2.41	44.98	(0.48)	47.87	9,782.19	6,509.28
BUILDINGS	17,285.27	5,047.98	(50.79)	22,384.04	1,135.24	572.32	(4.39)	1,711.95	20,672.09	16,150.03
PLANT & MACHINERY ***	152,749.44	42,426.00	4,523.85	190,651.59	30,694.88	13,716.93	3,704.22	40,707.59	149,944.00	122,054.56
ELECTRIC INSTALLATION	597.75	6,150.09	16.62	6,731.22	81.62	50.92	2.62	129.92	6,601.30	516.13
VEHICLES	1,261.77	302.24	89.59	1,474.42	281.40	153.39	33.33	401.46	1,072.96	980.37
FURNITURE ,FIXTURES & EQUIPMENTS	699.19	563.15	(10.97)	1,273.31	202.80	100.28	1.96	301.12	972.19	496.39
POWER LINE AND BAY EXTENSION ****	-	712.49	-	712.49	-	71.25	-	71.25	641.24	-
INTANGIBLE ASSETS										
TECHNICAL KNOW HOW	798.45	570.73	-	1,369.18	57.11	105.49	-	162.60	1,206.58	741.34
COMPUTER SOFTWARE	-	563.87	-	563.87	-	75.09	-	75.09	488.78	-
TOTAL	179,903.56	59,603.85	4,517.23	234,990.18	32,455.46	14,890.65	3,737.26	43,608.85	191,381.33	147,448.10
CAPITAL WORK IN PROGRESS (Including pre-operative exps pending allocation / capitalisation)	-	-	-	-	-	-	-	-	63,375.48	35,508.98
Previous Year	141,634.35	38,866.40	597.19	179,903.56	19,007.47	13,540.06	92.07	32,455.46	147,448.10	-

* Depreciation during the year includes Rs.209.69 Lacs (Previous Year Rs.45.50 Lacs) considered under pre-operative expenses.

** Land includes land acquired on lease amounting to Rs.3483.54 Lacs and amount amortised thereon during the year is Rs.44.98 Lacs.

*** Plant and Machinery Sales includes Rs.115.98 Lacs and Depreciation on sale includes Rs. 66.40 Lacs Transferred by Vizag to Orissa Division and that is CWIP of Orissa Division.

**** Not owned by the company.

\$ Sales/adjustment in respect of Gross Block and Depreciation includes Rs.625.70 Lacs and Rs.80.63 Lacs respectively for adjustment of Foreign Exchange Fluctuation.

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SCHEDULE - "6"

INVESTMENTS

DETAIL OF INVESTMENTS

**Sr. PARTICULARS
No.**

	31st MARCH, 2006			31st MARCH, 2005		
	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)
Current Investment - Non Trade :						
A Mutual Funds / Others						
1	-	-	-	173482.271	-	18.00
2	14143371.355	10.00	2,000.00	7429034.151	-	1,000.00
3	-	-	-	11764705.882	-	1,210.00
4	-	-	-	1344980.611	-	200.09
5	-	-	-	31858578.991	-	3,280.00
6	-	-	-	2000000.000	-	200.00
7	-	-	-	980392.157	-	100.00
8	-	-	-	2000000.000	-	200.00
9	1000000.000	10.00	100.00	3000000.000	-	300.00
10	1898208.566	10.00	200.00	1898208.566	-	200.00
11	-	-	-	244498.780	-	25.00
12	28345675.510	10.00	4,000.00	-	-	-
13	21166594.000	79.88	17,237.83	1082155.000	-	1,013.40
			23,537.83			7,746.49
B Govt./ Semi Govt. Securities						
1	-	-	-	-	-	1,703.46
2	-	-	-	-	-	203.94
3	10	1,000,000.00	103.40	-	-	815.72
4	-	-	-	-	-	270.65
5	-	-	-	-	-	1,000.00
6	-	-	-	-	-	506.75
7	-	-	-	-	-	250.00
8	-	-	-	-	-	1,000.00
9	-	-	-	-	-	50.25
10	-	-	-	-	-	706.85
11	-	-	-	-	-	206.00
12	-	-	-	-	-	568.75
13	4	1,000,000.00	40.00	-	-	-
14	140	1,000,000.00	1,400.00	-	-	-
15	13	1,000,000.00	127.85	-	-	-
			1,671.25			7,282.37



JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

DETAIL OF INVESTMENTS Sr. PARTICULARS No.	31st MARCH, 2006			31st MARCH, 2005		
	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)	Shares/ Debs./ Bonds (Nos.)	Face & Paid up Value per Share	Amount (Rs. in Lacs)
Long Term Investment :						
A. Govt./Semi Govt. Securities Non - Trade						
1	PNB MF RIPS-1994	-	-	50000	10.00	5.00
2	Magnum of SBI Global	150000	10.00	150000	10.00	15.00
3	12.40% Government of India Stocks (Face value Rs.40 Lacs)	-	-	-	-	41.13
4	13.50% MKVDC BONDS-2007 (Face value Rs.37.50 Lacs)	75	50,000.00	-	-	76.80
5	13.05% Government of India Stocks (Face value Rs.40 Lacs)	-	-	-	-	40.66
6	National Savings Certificate*	-	-	-	-	0.84
	Total (A)		135.96			179.43
B. Equity Shares Fully Paid up Quoted - Trade						
1	Shares of Punjab National Bank	-	-	943	10.00	3.68
	Total (B)		-			3.68
	GRAND TOTAL :		25,345.04			15,211.97
	* Lodged with Government Authorities as Security					
	Aggregate value of Current Investments		25,209.08			15,028.86
	Aggregate value of unquoted investments		135.96			179.43
	Aggregate value of quoted investments		-			3.68
	Market value of quoted investments		-			3.71

DESCRIPTION SCHEDULE - "7" INVENTORIES	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
(As taken, valued and Certified by the Management)		
(at lower of cost and net realisable value unless otherwise stated)		
i) Stores and Spares {Including material in transit Rs.1,344.53 Lacs (Previous Year Rs.346.21 Lacs)}	7,795.65	4,020.49
ii) Raw Materials {Including material in transit Rs.11,874.95 Lacs (Previous Year Rs.7,746.07 Lacs)}	25,953.74	18,039.77
iii) Finished Goods	29,916.52	14,865.19
iv) Trading Goods	121.59	71.76
v) Work in Progress	12,127.28	20,186.50
vi) Scrap (at estimated realisable value)	204.96	81.78
TOTAL	76,119.74	57,265.49

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DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "8"		
SUNDRY DEBTORS		
(Unsecured, Considered good unless otherwise stated)		
Exceeding Six months		
i) Considered good	1,541.95	409.11
ii) Considered doubtful	529.45	282.36
Less: Provision	529.45	282.36
	<u>1,541.95</u>	<u>409.11</u>
Others - Considered good	29,485.37	27,753.25
TOTAL	<u><u>31,027.32</u></u>	<u><u>28,162.36</u></u>
SCHEDULE - "9"		
CASH AND BANK BALANCES		
Cash in Hand	47.22	47.54
Cheques in Hand	1,328.51	336.87
Stamps in Hand	1.39	1.57
Balance with Scheduled Banks		
In Current Accounts	1,305.30	596.33
In Fixed Deposit Accounts-in Indian Currency	18,152.08	300.00
In Fixed Deposit Accounts-in Indian Currency (Pledged with Bank against Bank Guarantee)	-	1.00
In Fixed Deposit Accounts-in Foreign Currency (Unutilised money out of FCCB issue proceeds)	-	4,433.39
Balance with Non-Scheduled Banks in Foreign Currency in INR in Current A/c {Maximum Balance outstanding during the year Rs.7.46 Lacs (P.Y. Nil)}	7.46	-
Balance with Non-Scheduled Banks in Foreign Currency in Current A/c		
In ANZ Bank {Maximum Outstanding during the year Rs.9.53 Lacs (P.Y. Rs.9.04 Lacs)}	0.99	2.87
In ICBC Bank {Maximum Outstanding during the year Rs.15.44 Lacs (P.Y. Rs.4.75 Lacs)}	0.87	4.75
In Bank of China {Maximum Outstanding during the year Rs.6.02 Lacs (P.Y. Rs.8.65 Lacs)}	4.16	1.30
In Standered Chartered Bank {Maximum Outstanding during the year Rs.77.42 Lacs (P.Y. Rs.3,068.61 Lacs)}	77.42	247.41
In PT Bank Mega {Maximum Outstanding during the year Rs.27.58 Lacs (P.Y. Rs.39.87 Lacs)}	14.70	10.74
In PT Bank Maspion {Maximum Outstanding during the year Rs.4.95 Lacs (P.Y. Rs.0.54 Lacs)}	1.03	0.45
In HSBC Bank {Maximum Outstanding during the year Rs.92.70 Lacs (P.Y. Nil)}	34.46	-
Puja & Silver Coins	0.04	0.04
TOTAL	<u><u>20,975.63</u></u>	<u><u>5,984.26</u></u>


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "10"		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in Cash or in kind or for value to be received	40,206.78	26,079.26
Interest Accrued on Investments	893.63	190.29
Loans to Body Corporates	6,045.02	4,758.08
Security Deposits	4,171.49	3,143.85
Pre-paid Taxes	16,754.42	11,927.61
Balance with Central Excise	29.63	26.39
TOTAL	68,100.97	46,125.48
SCHEDULE - "11"		
CURRENT LIABILITIES		
Acceptances	53,575.97	44,515.75
Sundry Creditors	29,310.05	19,416.92
Other Outstanding Liabilities	9,931.91	7,811.10
Due to Customers and others	2,587.39	5,189.57
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 not due		
i) Unpaid Dividends	99.08	91.29
ii) Unclaimed Matured Deposits	90.80	88.33
iii) Unclaimed Matured Debentures	5.66	10.00
iv) Interest Accrued on (i) to (iii)	38.73	74.72
Interest Accrued but not due	2,786.70	1,560.34
TOTAL	98,426.29	78,758.02
SCHEDULE - "12"		
PROVISIONS		
For Taxation	14,980.67	12,293.61
Proposed Dividend on Equity Shares	2,088.83	-
Corporate Tax on Dividend	292.96	-
Other Retirement Benefits	258.80	142.11
	17,621.26	12,435.72
SCHEDULE - "13"		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	15.21	20.15
Add: Addition During the Year	0.78	-
Less : Written off During the Year	4.17	4.94
	11.82	15.21
Euro Issue Expenses	19.49	30.63
Less : Written off During the Year	11.14	11.14
	8.35	19.49
Mine Development Expenses	137.25	160.48
Add : Additions During the Year	79.21	-
Less : Written off During the Year	23.23	23.23
	193.23	137.25
TOTAL	213.40	171.95

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DESCRIPTION	(RS. IN LACS)	(RS. IN LACS)
SCHEDULE - "14"	31.03.2006	31.03.2005
SALES AND OPERATIONAL INCOME		
Sales	345,943.11	330,068.33
Job Charges Received	1,063.19	1,256.67
Export Benefits	9,217.07	6,750.18
TOTAL	<u>356,223.37</u>	<u>338,075.18</u>
SCHEDULE - "15"		
OTHER INCOME		
Dividend Received on Current Investments	482.26	3.60
Profit on Sale of Investments (Net)	-	44.35
{On Current Investments (Previous Year Profit Rs.188.25 Lacs)}		
{On Current Investments (Previous Year Loss Rs.141.40 Lacs)}		
{On Long Term Investments (Previous Year Loss Rs.2.50 Lacs)}		
Previous Year Adjustment (Net)	316.77	28.04
{Expenses Relating to Earlier Years Rs.108.39 Lacs (P.Y. Rs.46.86 Lacs)}		
{Income Relating to Earlier Years Rs.137.24 Lacs (P.Y. Rs.32.55 Lacs)}		
{Liability No Longer Required Rs.287.92 Lacs (P.Y. Rs.42.35 Lacs)}		
Lease Rent	3.00	3.00
Miscellaneous Receipts	766.97	240.08
Foreign Currency Translation Gain/(Loss) on Consolidation	6.44	(1.06)
Claims Received	191.18	256.53
TOTAL	<u>1,766.62</u>	<u>574.54</u>
SCHEDULE - "16"		
MATERIAL, MANUFACTURING AND OTHERS		
Raw Material Consumed	200,458.26	215,310.18
Goods Purchased for Sale	4,624.07	3,005.79
Stores and Spares Consumed	19,170.20	17,263.68
Carriage Inward	1,258.78	806.99
Power and Fuel	31,224.81	23,119.38
Repairs to Buildings	149.90	53.38
Repairs to Plant & Machinery	1,574.75	932.20
Job Work Expenses	2,768.87	3,387.04
Other Manufacturing Expenses	2,208.98	1,499.24
TOTAL- A	<u>263,438.62</u>	<u>265,377.88</u>
(INCREASE)/ DECREASE IN STOCK		
Opening Stock		
Finished Goods - Manufactured	14,865.19	6,837.49
Trading Goods	71.76	0.08
Scrap	81.78	38.05
Work in Progress	20,186.50	10,463.63
	<u>35,205.23</u>	<u>17,339.25</u>
Add: Stock Generated during Trial Run	1,026.90	-
TOTAL - B	<u>36,232.13</u>	<u>17,339.25</u>
Closing Stock		
Finished Goods - Manufactured	29,916.52	14,865.19
Trading Goods	121.59	71.76
Scrap	204.96	81.78
Work in Progress	12,127.28	20,186.50
TOTAL - C	<u>42,370.35</u>	<u>35,205.23</u>
INCREASE IN STOCKS - D (B - C)	<u>(6,138.22)</u>	<u>(17,865.98)</u>
Excise Duty on account of Increase/(Decrease) in stock of Finished Goods (E)	<u>2,671.47</u>	<u>346.22</u>
GRAND TOTAL (A + D + E)	<u>259,971.87</u>	<u>247,858.12</u>


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	(RS. IN LACS) 31.03.2006	(RS. IN LACS) 31.03.2005
SCHEDULE - "17"		
PERSONNEL		
Salaries, Wages, Bonus and other benefits	5,806.84	4,145.96
Contribution to Provident and other funds	342.19	262.70
Workmen and Staff Welfare	262.16	359.38
TOTAL	6,411.19	4,768.04
SCHEDULE - "18"		
ADMINISTRATIVE AND SELLING		
Rent	111.86	42.04
Lease Rent	4.53	4.35
Rates and Taxes	216.71	289.50
Insurance	719.18	655.00
Legal and Professional	987.35	490.67
Postage, Telegram, Telex and Telephone	261.77	197.71
Printing and Stationery	181.59	181.55
Travelling and Conveyance	517.64	348.62
Directors' Meeting Fees	2.88	2.20
Vehicle Upkeep and Maintenance	135.68	123.79
Auditors' Remuneration	24.79	12.80
Selling Expenses	426.79	684.45
Freight & Forwarding Expenses	7,223.56	5,374.02
Commission on Sales	967.63	754.53
Provision for Doubtful Debts / Advances	247.09	215.64
Bad Debts	91.12	61.55
Advertisement & Publicity	427.51	125.29
Miscellaneous Expenses	748.77	994.94
Donation	160.66	133.07
Discount & Rebate	1,875.43	1,296.14
Loss on Sale/Discard of Fixed Assets (Net) {Profit of Rs.1.62 Lacs (P.Y. Rs.7.60 Lacs)} {Loss of Rs.199.46 Lacs (P.Y. Rs.10.69 Lacs)}	198.11	3.09
Loss on Sale of Investments	154.14	-
On Current Investments Profit Rs.542.50 Lacs		
On Current Investments Loss Rs.696.77 Lacs (Includes Loss on Future Indices Rs.122.70 Lacs)		
On Long Term Investments Profit Rs.0.13 Lacs		
TOTAL	15,684.79	11,990.95
SCHEDULE - "19"		
INTEREST AND BANK CHARGES		
INTEREST ON		
Fixed Loans	4,870.66	3,723.13
Others	3,677.39	1,530.52
Financial Expenses / Bank Charges	745.41	776.74
	9,293.46	6,030.39
Less: Interest received		
Interest on Securities (Net)	413.27	59.72
TDS Rs.232.48 Lacs (Previous Year Rs.49.53 Lacs) {Including interest on current investments Rs.343.74 Lacs (P. Y. Rs.33.44 Lacs)}		
Foreign Exchange Gain (Net)	565.63	1,402.45
Loans & Advances	1,362.43	571.52
TDS Rs.340.16 Lacs (Previous Year Rs.93.43 Lacs)		
Banks {TDS Rs.25.50 Lacs (Previous Year Rs.18.60 Lacs)}	73.79	106.55
From Debtors {TDS Rs.156.57 Lacs (Previous Year Rs.109.75 Lacs)}	730.82	383.07
Others	50.94	0.38
	3,196.88	2,523.69
TOTAL	6,096.58	3,506.70

SCHEDULE - "20"

NOTES TO CONSOLIDATED FINANCIAL STATEMENT OF THE COMPANY AND ITS SUBSIDIARIES

1. SCHEME OF ARRANGEMENT :

Pursuant to the Scheme of Arrangement among Jindal Stainless Limited (the Company), Austenitic Creations Private Limited (ACPL), Jindal Architecture Limited (JAL) and their respective Shareholders and Creditors (the scheme) sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh, which has become effective from 1st Aug, 2006 :-

- (i) The Architecture Division (AD) of the Company comprising Fixed Assets (Rs.650.04 Lacs), Current Assets, Loans and Advances (Rs.460.67 Lacs), Inter Divisional Loan (Rs.363.70 Lacs) and Current Liabilities (Rs.237.09 Lacs), stood transferred to and vested in JAL from appointed date i.e. 1st April, 2005,
- (ii) The Life Style Products Division (LSPD) of the Company comprising Fixed Assets (Rs.569.82 Lacs), CWIP (Rs.190.91 Lacs), Current Assets, Loans and Advances (Rs.492.67 Lacs), Inter Divisional Loan (Rs.373.09 Lacs) and Current Liabilities (Rs.314.65 Lacs), stood transferred to and vested in ACPL from appointed date i.e. 1st April, 2005.
- (iii) 41,55,400 Equity Shares of Rs.10 each of ACPL will be issued and allotted to the Company in exchange of transfer and vesting of LSPD of the Company based on the valuation of division done by a valuer,
- (iv) 40,52,500 Equity Shares of Rs.10 each of JAL will be issued and allotted to the Company in exchange of transfer and vesting of AD of the Company based on the valuation of division done by a valuer.
- (v) The Company carried on the business of LSPD and AD w.e.f. 1st April, 2005 for and on account of and in trust of ACPL and JAL respectively and all profits accrued and/or losses incurred by the Company relating to LSPD and AD were accordingly transferred to ACPL and JAL respectively.
- (vi) The necessary steps and formalities in respect of transfer of assets in favour of ACPL and JAL are under implementation.

2. SIGNIFICANT ACCOUNTING POLICIES:

i) Basis of Preparation of Financial Statements:

Jindal Stainless Ltd has prepared consolidated financial statements by consolidating its accounts with those of its following subsidiaries, as on 31.03.2006, in accordance with Accounting Standard 21(Consolidated Financial Statements) issued by The Institute of Chartered Accountants of India.

Name of the Subsidiaries	Country of Incorporation	% Shareholding/ voting power
PT. JINDAL STAINLESS INDONESIA	INDONESIA	99.99%
JINDAL STAINLESS STEELWAY LTD	INDIA	81.91%
JINDAL ARCHITECTURE LIMITED	INDIA	99.94%
AUSTENITIC CREATIONS PRIVATE LIMITED	INDIA	99.89%
JINDAL STAINLESS UK LIMITED	UK	100.00%
JINDAL STAINLESS FZE	UAE	100.00%

- ii) The financial Statement of parent Company and its subsidiaries have been consolidated line by line basis by adding together book value of like items of assets, liabilities, income and expenses after eliminating Intra-group balances and Intra- group transactions.
- iii) Foreign Subsidiary- Operations of Foreign subsidiary has been considered by management non-integral; thus items of the assets and liabilities, both monetary and non-monetary, have been translated at the exchange rates prevailing at the end of the year and items of income and expenses have been translated at the average rate prevailing during the period. Resulting exchange differences arising on translation of said items have been transferred to Foreign Exchange Translation Reserve Account.
- iv) Since foreign subsidiary is in same line of business which function in different regulatory environment, certain policies such as in respect of depreciation/amortisation, retirement benefits etc differ than the policies followed by the holding company. The notes on accounts and policies followed by subsidiaries and holding company are disclosed in their respective financial statements.
- v) Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with parent company's financial statements.


JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

	(Rs. in Lacs)	(Rs. in Lacs)
	31.03.2006	31.03.2005
	Current Year	Previous Year
3. Contingent Liability not provided in respect of:		
(a) Counter Guaranties given to Company's Bankers for the guaranties given by them on behalf of the company.	2075.99	2978.78
(b) Letter of Credit outstanding (Net of Liability provided for in the books).	50604.04	23712.34
(c) Bills discounted by Bank.	7233.27	10678.40
(d) (i) Sales Tax demands against which company has preferred appeals.	442.53	379.42
(ii) Excise Duty Show Cause Notices/Demands against which company has preferred appeals.	2134.41	1521.37
(iii) Income tax demands against which company has preferred appeals.	951.39	-
(e) Corporate Guarantee Given to custom authorities for import under EPCG Scheme.	21565.67	2437.85
(f) Demand made by Sr. Dy. Director of Mines, Notified Authority, Jajpur Road Circle, Orissa as cess on Chromite Ore production. The matter being pending with Hon'ble Supreme Court of India.	285.27	-
(g) Demand raised by NESCO in respect of power purchases. The company has filed Writ petition with Hon'ble High Court of Orissa.	511.15	-

4. a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) **Rs.96871.06 Lacs** (Previous Year Rs.69713.64 Lacs).
- b) Estimated amount of contract remaining to be executed towards intangible assets and not provided for (Net of advances) **Rs.50.40 Lacs** (Previous Year Rs.561.20 Lacs).
5. Financial Statements of the Subsidiaries Companies JINDAL STAINLESS UK LIMITED (JSL – UK) and JINDAL STAINLESS FZE (JSL – FZE) for the Period ending 31st March, 2006 as certified by the management and considered the same for the purpose of consolidation as per the financial statements are:-

Sr. No.	Name of the Concern	Total Assets (Rs. in Lacs)	Profit/(Loss) for the Year ending 31.03.06 (Rs. in Lacs)	Date of Incorporation
1.	JSL - UK	77.45	-	31 st January, 2006
2.	JSL - FZE	121.47	-	26 th March, 2006

6. Appeals in respect of certain assessments of Sales Tax / Income Tax are pending and additional tax liabilities/refunds, if any, are not determinable at this stage. Adjustments for the same will be made after the same is finally determined. However in the opinion of management there will not be any material liability on this account.
7. Certain plant & machinery have been considered as continuous process plant on technical assessment and depreciation is provided for accordingly.
8. In opinion of the Board, Current Assets, Loans & Advances have a realizable value, in the Ordinary course of business at least equal to the amount at which they are stated.
9. Certain balances of the accounts under sundry debtors, sundry creditors are subject to confirmation and/or reconciliation.
10. Advance Recoverable in Cash or in kind or for value to be received includes:
- a) **Rs.25.35 Lacs** (Previous Year Rs.1.24 Lacs), maximum amount outstanding at any time during the Year is **Rs.53.30 Lacs** (Previous Year Rs.3.26 Lacs) being the amount due from directors/officers of the company.
- b) Interest free loan to employees amounting to **Rs.3.45 Lacs** (Previous Year Rs. 10.51 Lacs) in the ordinary course of the business and as per employee service rules of the Company. Maximum balance outstanding during the year **Rs.5.54 Lacs** (Previous Year Rs.13.68 Lacs).
11. Loans and Advances includes advance against capital orders **Rs.19,531.10 Lacs** (Previous Year Rs.10,945.44 Lacs)
12. Pursuant to Scheme of Arrangement, certain investment was acquired by the company in the earlier years. The necessary steps and formalities in respect of transfer of investment in favour of Company are in progress.
13. Minority interest includes advance against Share application money **Rs.4.50 Lacs** (Previous Year Rs.116.94 Lacs)

14 Segment Reporting:

i) **Information about Business Segment (for the year 2005-06)**

Company operates in a Single Primary Segment (Business Segment) i.e. Stainless Steel products.

ii) **Secondary Segments (Geographical Segment)**

	2005-06 (Rs. in Lacs)			2004-05 (Rs. in Lacs)		
	Within India	Outside India	Total	Within India	Outside India	Total
1 Revenue	230,419.35	125,804.02	356,223.37	233,019.32	105,055.86	338,075.18
2 Segment Assets	427,422.99	26,103.08	453,526.07	293,849.65	24,938.83	318,788.48
3 Capital Expenditure incurred during the year	92,668.87	2,726.42	95,395.29	67,372.82	9,455.97	76,828.79

15 Related Party Transactions

A List of Related Party & Relationship (As identified by the Management) :

a) Key Management Personnel :

1	Smt. Savitri Devi Jindal	Chairperson
2	Shri Ratan Jindal	Vice-Chairman & Managing Director
3	Shri R.G. Garg	Deputy Managing Director
4	Shri Arvind Parakh	Director (Finance)
5	Shri Rajinder Parkash	Executive Director
6	Shri N.C. Mathur	Director-International Marketing
7	Shri A.P. Garg	Sr. Vice - President & Company Secretary
8	Shri S.S.Virdi	Whole Time Director
9	Shri Sugato Bose	Director
10	Shri P.K. Gupta	Whole Time Director

b) Key Management Personnel's Relatives :

1	Smt. Megha Gupta	Consultant
---	------------------	------------

c) Enterprises over which Key Management Personnel and their relatives exercise significant influence with whom transactions have been taken place during the year:

1	Jindal Steel & Power Ltd.
2	JSW Steel Limited
3	Jindal Saw Limited
4	Jindal Industries Limited
5	Nalwa Sons Investments Limited
6	Nalwa Sponge Iron Ltd.
7	Bir Plantation P. Ltd.
8	Bharat Metals



JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

B Transactions :

Description	2005-06 (Rs. in Lacs)		2004-05 (Rs. in Lacs)	
	Key Management Personnels	Enterprises Controlled by key Management Personnels & their Relatives	Key Management Personnels	Enterprises Controlled by key Management Personnels & their Relatives
Purchase of Goods*	-	11,243.39	-	15,465.07
Sale of Goods	-	2,605.35	-	943.29
Receiving of Services (Remuneration paid)	543.18	-	577.09	25.00
Rent Received	-	3.00	0.89	-
Rent Paid	-	3.60	-	3.60
Loan Contribution	50.00	1,246.07	-	1,764.66
Loan recovered	25.00	1,903.44	-	3,208.92
Interest Income	2.23	898.05	-	220.93
Sharing of Exp. Recd./Accrued	-	17.00	-	17.44
Sharing of Exp. Paid/due	-	161.52	-	87.66
Job Work Charges Paid	-	745.01	-	-
Interest Paid on Loan	-	6.71	-	-
Outstanding Balance as on 31.03.2006				
Loans & Advances	25.00	2,904.34	-	3,283.08
Debtors	-	4.14	-	408.59
Payables	251.31	3,080.37	-	1,109.17
Investments	-	17,237.83	-	-

Note :-

* Includes Purchase of Ferro Chrome/Sponge Iron of Rs.10807.80 Lacs (Previous Year Rs.13942.78 Lacs) from Jindal Steel & Power Limited, Raigarh on arm length prices.

16 Earning Per Share (EPS) computed in accordance with Accounting Standard 20 " Earning Per Share " .

	2005-2006 Current Year (Rs. in Lacs)	2004-2005 Previous Year (Rs. in Lacs)
(A) Basic:-		
Net Profit (Attributable to Equity Shareholders)	16,186.67	23,197.63
No. of Equity Shares at Beginning of the year	109,909,844	99,912,320
Weighted Average No. of Equity Shares Issued on conversion of ECBs/FCCBs during the year :		
920 ECBs w.e.f. 24.12.2004 (9,997,524*98/365)	-	2,684,267
1540 ECBs w.e.f. 30.03.2006 (16,734,984*2/365)	91,699	-
20 FCCBs w.e.f. 22.07.2005 (36,497*253/365)	25,298	-
100 FCCBs w.e.f. 16.09.2005 (182,486*197/365)	98,492	-
1466 FCCBs w.e.f. 23.09.2005 (2,675,247*190/365)	1,392,594	-
555 FCCBs w.e.f. 14.10.2005 (1,012,798*169/365)	468,940	-
Weighted Average No. of Equity Shares (Face value Rs.2/- per share)	111,986,867	102,596,587
Basic EPS (in Rs.)	14.45	22.61
(B) Diluted:-		
Net Profit after Tax as per P & L A/c.	16,186.67	23,197.63
Add:Interest & fluctuation on Euro Bonds/FCCBs (net of tax)	488.03	212.53
Profit attributable to Equity Share Holders	16,674.70	23,410.16
Weighted Average No. of Equity Shares	111,986,867	102,596,587
Add: Dilutive Potential Equity Shares :		
Weighted average No. of Potential Equity Shares outstanding at the end of the year	18,860,676	23,483,898
Weighted average No. of Potential Equity Shares converted during the year	18,564,989	7,313,258
Weighted average No. of Equity Shares (Face value Rs.2/- per share)	149,412,532	133,393,743
Diluted EPS (in Rs.)	11.16	17.55

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17. DEFERRED TAX LIABILITY (NET) COMPRISES OF THE FOLLOWING AS ON 31.03.2006:-

(Rs. in Lacs)			
	Balance as at 31.03.2005	Charge/ (Credit) for the year	Balance as at 31.03.2006
A) Deferred Tax Liabilities :			
On Account of timing difference in			
1 Depreciation	22,714.29	5,617.22	28,331.51
2 Land Right Amortisation*	35.73	0.60	36.33
Total Deferred Tax Liability - A	<u>22,750.02</u>	<u>5,617.82</u>	<u>28,367.84</u>
B) Deferred Tax Assets :			
On Account of timing difference in			
1 Disallowance under Section 43B	11.78	(6.78)	5.00\
2 Amortisation under Section 35D	(6.25)	3.84	(2.41)
3 Provision for doubtful debts & advances	92.44	70.46	162.90
4 Provisions for leave salary	37.46	36.37	73.83
5 Brought forward long term/short term capital losses	52.39	(33.50)	18.89
6 Fiscal Loss*	171.89	445.89	617.78
7 Post Employment Benefit*	3.55	1.52	5.07
8 Disallowance under Income Tax	-	4.98	4.98
9 Carry Forward Losses	-	150.80	150.80
Total Deferred Tax Assets - B	<u>363.26</u>	<u>673.58</u>	<u>1,036.84</u>
Deferred Tax Liability (Net) (A-B)	<u>22,386.76</u>	<u>4,944.24 \$</u>	<u>27,331.00</u>

* Relates to Foreign Subsidiary

\$ Includes Previous Year Deferred Tax Liability of Rs.21.48 Lacs.

18. Previous year's figures have been re-arranged and regrouped wherever considered necessary.

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

RATAN JINDAL
Vice - Chairman & Managing Director

SAVITRI DEVI JINDAL
Chairperson

(N.K. LODHA)
Partner
Membership No.85155

(ARUN K. TULSIAN)
Partner
Membership No.89907

A.P. GARG
Sr. Vice - President & Company Secretary

ARVIND PARAKH
Director - Finance

R.G. GARG
Dy. Managing Director

RAJINDER PARKASH
Executive Director
----- Directors -----

PLACE : NEW DELHI
DATED : 18th August, 2006

N.C. MATHUR
*Director - International
Marketing*

SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2006

PARTICULARS	CURRENT YEAR		(Rs. in Lacs)	
	AMOUNT	AMOUNT	PREVIOUS YEAR AMOUNT	AMOUNT
A. Cash Inflow / (Outflow) from Operating Activities				
Net Profit / (Loss) Before Tax & Exceptional Item	23,933.87		34,253.98	
Adjustment for:				
Depreciation	14,680.96		13,494.56	
Provision for Doubtful Debts & Advances	247.09		215.64	
Prior period Adjustments (Liability written back)	(316.77)		(28.04)	
Misc. Expenses Written Off	38.54		39.30	
Misc. Expenses Incurred	(79.99)		-	
Unrealised Exchange Fluctuation Loss / (Gain)	(589.86)		(86.75)	
Interest and Bank Charges	6,662.20		4,909.15	
Dividend Income	(482.26)		(3.60)	
(Profit) / Loss on Sale of Investments (Net)	154.14		(44.35)	
(Profit) / Loss on Sale/Discard of Fixed Assets (Net)	198.11		3.09	
Operating Profit Before Working Capital Changes	44,446.03		52,752.98	
Adjustment for:				
(Increase) / Decrease in Inventories	(18,854.25)		(13,877.26)	
(Increase) / Decrease in Sundry Debtors	(3,144.47)		(13,682.22)	
(Increase) / Decrease in Loans & Advances	(7,869.66)		(1,919.08)	
Increase / (Decrease) in Current Liabilities	20,679.56		15,217.27	
Cash Inflow from Operating Activities Before Exceptional Items	35,257.21		38,491.69	
Income Tax (Advance) / Refund	(4,914.35)		(8,782.46)	
Net Cash Inflow from Operating Activities		30,342.86		29,709.23
B. Cash Inflow / (Outflow) from Investing Activities				
Sale/Redemption/(purchase) of Investment (Net)	(9,759.21)		(11,914.21)	
Capital Expenditure (including advances for capital expenditure)	(97,404.53)		(75,450.65)	
Sales Proceeds of Fixed Assets Sold	532.28		194.49	
Dividend Received	482.26		3.60	
Interest Received	4,429.05		1,721.17	
Net Cash Outflow from Investing Activities		(101,720.15)		(85,445.60)
C. Cash Inflow / (Outflow) from Financing Activities				
Dividend Paid (including Corporate Dividend Tax)	(1,496.11)		(2,358.20)	
Interest and Finance Charges Paid	(8,771.17)		(6,961.23)	
Proceeds from / (Repayment of) Borrowings (Net)	96,561.53		68,072.01	
Increase / (Decrease) in Minority Interest	148.83		116.94	
Net Cash Inflow from Financing Activities		86,443.08		58,869.52

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PARTICULARS	CURRENT YEAR		(Rs. in Lacs) PREVIOUS YEAR	
	AMOUNT	AMOUNT	AMOUNT	AMOUNT
D. Change in Currency Fluctuation arising on consolidation		(74.42)		(326.24)
Net Changes in Cash & Cash Equivalents		14,991.37		2,806.91
Cash & Cash Equivalents (Closing Balance)	20,975.63		5,984.26	
Cash & Cash Equivalents (Opening Balance)	(5,984.26)		(3,177.35)	
Net Changes in Cash & Cash Equivalents		14,991.37		2,806.91
Notes :				
1) Cash and cash equivalents includes :-				
Cash, Cheques and Stamps in hand	1,377.12		385.98	
Balance with Banks	19,598.47		5,598.24	
Puja & Silver Coins	0.04		0.04	
	20,975.63		5,984.26	

- 2) Increase in Paid up Share Capital & Share Premium are cash neutral and as such not considered in this statement.
- 3) Figures pertaining to subsidiary companies have been reclassified wherever necessary to bring them in line with parent company's financial statements.

AUDITORS' REPORT

In terms of our report of even date annexed hereto

FOR LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Membership No.85155

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

(ARUN K. TULSIAN)
Partner
Membership No.89907

RATAN JINDAL
Vice - Chairman & Managing Director

A.P. GARG
Sr. Vice - President & Company Secretary

R.G. GARG
Dy. Managing Director

N.C. MATHUR
Director - International
Marketing

SAVITRI DEVI JINDAL
Chairperson

ARVIND PARAKH
Director - Finance

RAJINDER PARKASH
Executive Director

————— Directors —————

SUMAN JYOTI KHAITAN
T.R. SRIDHARAN
L.K. SINGHAL

PLACE : NEW DELHI
DATED : 18th August, 2006



JINDAL STAINLESS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies
(Rs. in Lacs)

Sr. No.	PARTICULARS	NAME OF SUBSIDIARY COMPANIES							
		PT. Jindal Stainless Indonesia	Jindal Stainless Steelway Limited	Jindal Architecture Limited	Austenitic Creations Private Limited	Jindal Stainless UK Limited	Jindal Stainless FZE		
1.	Capital (Including Share Application Money)	3,368.27	1,440.58	414.75	420.54	77.45	121.47		
2.	Reserve & Surplus (Net of Misc. Exp.)	(1,354.88)	66.43	(116.14)	164.98	-	-		
3.	Total Assets	22,067.12	3,450.91	1,915.96	3,078.48	77.45	121.47		
4.	Total Liabilities	20,053.73	1,943.90	1,617.35	2,492.96	-	-		
5.	Investment	-	-	-	-	-	-		
6.	Turnover	28,262.01	1,225.92	1,273.38	2,787.89	-	-		
7.	Profit Before Taxation	(1,170.86)	132.05	(215.68)	69.22	-	-		
8.	Provision for Taxation	(446.82)	56.67	4.75	32.65	-	-		
9.	Profit After Taxation	(724.04)	75.38	(220.43)	36.57	-	-		
10.	Proposed Dividend	-	-	-	-	-	-		
11.	Reporting Currency	Indonesian Rupiah (Rp)	Indian Rupee (INR)	Indian Rupee (INR)	Indian Rupee (INR)	Ponds (GBP)	Dirham (AED)		

As required under para (iii) of the Approval Letter dated May 3, 2006 issued by Ministry of Company Affairs.

*Indian Rupee equivalents of the figures given in foreign currencies, have been given based on exchange rate as on 31.03.2006

INR 1 = Rp. 202.96

INR 1 = GBP 0.01291

INR 1 = AED 0.08232

JINDAL STAINLESS LIMITED

Registered Office: O.P. Jindal Marg, Hisar – 125 005 (Haryana)

ATTENDANCE SLIP

D.P. Id.*	
-----------	--

Folio No.	
-----------	--

Client Id.*	
-------------	--

I/We hereby record my/our presence at the twenty sixth annual general meeting of the company at the registered office of the company at O.P. Jindal Marg, Hisar on Friday, the 29th September, 2006 at 11.30 a.m.

Name of the member.....
(in Block Letters)

Signature of the member/ proxy

NOTE:

1. You are requested to sign and hand over this at the entrance.
 2. If you are attending the meeting in person or by proxy, your copy of the balance sheet may please be brought by you/your proxy for reference at the meeting.
- * *Applicable for members holding shares in demat form.*

TEAR HERE

JINDAL STAINLESS LIMITED

Registered Office: O.P. Jindal Marg, Hisar – 125 005 (Haryana)

FORM OF PROXY

D.P. Id.*	
-----------	--

Folio No.	
-----------	--

Client Id.*	
-------------	--

I/We of
in the district of.....being a member/ members of the
above named company hereby appoint
of.....in the district of
..... or failing him of
..... in the district of as my/our proxy to vote for
me/us on my/our behalf at the twenty sixth annual general meeting of the company to be held on Friday, the 29th September, 2006
at 11.30 a.m. or at any adjournment thereof.

Signed this _____ day of _____, 2006.

NOTE:

1. The form should be signed across the stamp, as per specimen signature registered with the company.
 2. The proxy must be deposited at the registered office of the company at O.P. Jindal Marg, Hisar not less than 48 hours before the time of holding the meeting.
 3. This form is to be used in favour of/against the resolution. Unless otherwise directed, the proxy will vote as he thinks fit.
 4. A proxy need not be a member.
- * *Applicable for members holding shares in demat form.*

Affix .15 Ps.
Revenue
Stamp
Signature

IN DEFERENCE TO THE GOVT. POLICY, NO GIFTS WILL BE DISTRIBUTED AT THE A.G.M.

BOOK-POST

Postage paid in cash at Hisar H.O. on 23.8.2006
for posting on 4.9.2006 under Business Post.

WORLDWIDE OFFICES

JINDAL STAINLESS LIMITED
CORPORATE (MARKETING) OFFICE
Jindal Centre, 12 Bhikaiji Cama Place, New Delhi - 110 066, India.
Tel: +91 11 26188340-50, 26188360-75 Fax: +91 11 26101562/41659169.
E-mail: info@jindalsteel.com www.jindalstainless.com

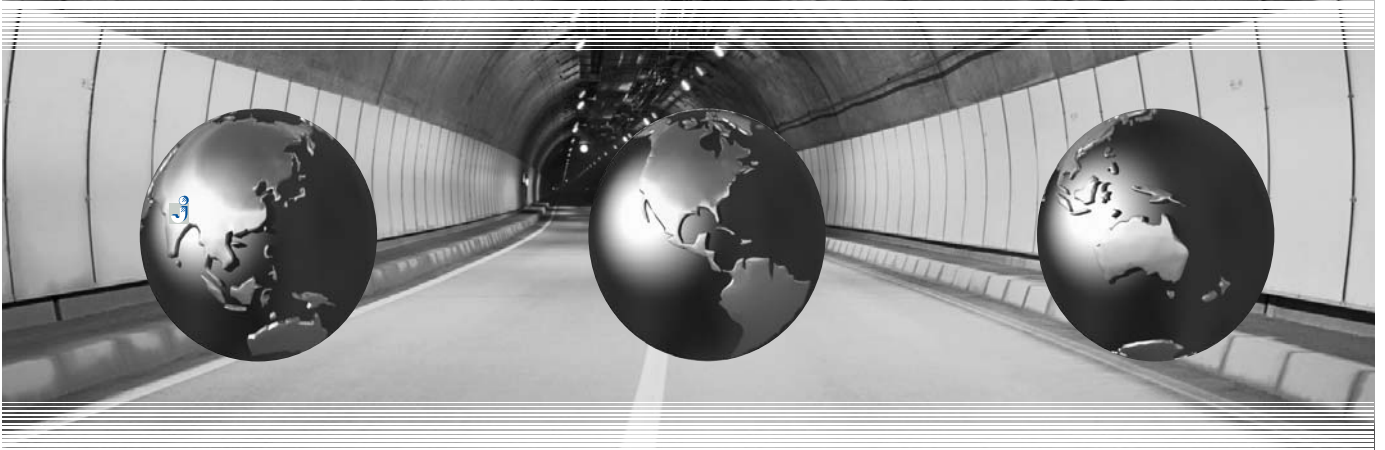
REGISTERED OFFICE & WORKS
O.P. Jindal Marg, Hisar - 125005, Haryana, India.
Tel: +91 1662 222471-83 Fax: +91 1662 220476.
E-mail: info.hisar@jindalsteel.com

INTERNATIONAL OFFICES
USA Jindal Stainless USA, Inc., PO Box No. 380, Malverne, NY-11565 (USA).
Tel: +1 516-564-4600 Fax: +1 516-564-4603.
E-mail: info.usa@jindalsteel.com

Vietnam 157A Nguyen Van Thu St., Dist. 1, HCM City, Vietnam.
Tel: +84 8 8233 021 Fax: +84 8 8238 945.
E-mail: info.vietnam@jindalsteel.com

China Unit 1107, Zhengsheng Building, No. 5-9, Tien He Bei Road,
Guangzhou, Pc: 510075, P. R. China.
Tel: +86 20 87558862 / 87558855 Fax: +86 20 87558856.
E-mail: info.china@jindalsteel.com

2E, Hua Guang Building, 333, Zhongshan Road,
Wuxi, Jiangsu, P.R. China, Zip: 214001.
Tel: +86 510 2732291 Fax: +86 510 2737423.
E-mail: info.china@jindalsteel.com



MARKETING OFFICES

Mumbai 25C, Parmanandwari, Opp. Bank of Baroda,
11/43, Thakurdwar Road, Mumbai - 400 002.
Tel: +91 22 22092962 / 64 / 56304713 / 56307088. Fax: +91 22 56304715.
E-mail: info.mumbai@jindalsteel.com

Kolkata 41, Shakespeare Sarani, 3A, Duckback House, Kolkata - 700 017.
Tel: +91 33 22473616, 22477398, 22477721. Fax: +91 33 22476203.
E-mail: info.kolkatta@jindalsteel.com

Hyderabad 302 B, Technopolis 1-10-74/B, Begumpet, Hyderabad - 500 016.
Tel: +91 40 55209201, 55278326 Fax: +91 40 55209202.
Email: info.hyderabad@jindalsteel.com

Delhi Jindal Centre, 12 Bhikaiji Cama Place, New Delhi - 110 066.
Tel: +91 11 26188345-80 Fax: +91 11 26101562/41659169.
E-mail: info@jindalsteel.com /marketing@jindalsteel.com

Chennai 4C, Century Plaza, 560562 Anna Salai, Teynampet, Chennai - 600 018.
Tel: +91 44 24313935 Fax: +91 44 24329146.
E-mail: info.chennai@jindalsteel.com

Vadodara 1st Floor, BBC Towers, Sayajigunj, Vadodara - 390 005.
Tel: +91 265 2225004-5 Fax: +91 265 2362162.
E-mail: info.vadodara@jindalsteel.com



If Undelivered, please return to :

JINDAL STAINLESS

O.P. JINDAL MARG,
HISAR - 125005, (HARYANA) INDIA.