

Getting **better** at being the **best**.



**JINDAL SAW LTD.**

**The real race for excellence is the one you run against yourself.**

It's an unrelenting pursuit, wherein today's benchmarks of excellence become the starting point for tomorrow's travel. In the field of large diameter pipes, our company leads, and we are also forging ahead with DI Pipes & Seamless Tubes to be the only company in India to offer "Total Pipe Solutions".

Yes, we are the best. But that's not enough.

**Because we know, there's always a better way of doing what we do best.**





Shri OP Jindal  
(1930-2005)

## **Vision is immortal**

Best before the biggest. In an age when the obsession to outgrow others is paramount, our founder chairman Shri OP Jindal saw the vital need for focusing on being the best. A rare visionary, he made quality the DNA for the group's growth.

Today, in the unseen presence of its doyen, the group continues its leadership journey, guided at every step by his immortal vision.

## Reinventing the self, to redefine possibilities.

There are those who change with the times. And those, who change the times. The quest to expand the realms of excellence has compelled us to enhance our product range, way beyond SAW Pipes. The urge to master the change, has inspired us to restructure our corporate blueprint. **Therefore change in name from SAW Pipes Ltd., to Jindal SAW Ltd.** A transformed entity, geared to excel in an age where change is the only constant.



## Renewed vigour. Resounding success!

Reborn as Jindal SAW Limited, the company combines the best of both worlds. The confidence, knowledge, credibility and clarity of purpose, of experience, with the vigour, enthusiasm, flexibility and aggression typical of youth.

**The fact that we have doubled our financial performance in this year** amply demonstrates the wisdom of our strategy.



## Four facets of excellence.

Sometimes, to achieve growth, you need sharp focus.

## The creation of 4 strategic business units

is a case in point. Each unit is a compact dynamo—lean, agile, focused on core competencies and propelled by a clear sense of purpose. This segregation has given us a focused vision on the diverse aspects of our business. Enabling us to rejuvenate our Seamless Tubes unit and make it a Brownfield project while at the same time, launching our Greenfield project for DI Pipes, to give the Group a robust & resilient business model.

### JINDAL SAW LTD.

Large  
Diameter  
Pipes

Seamless  
Tubes and  
Pipes

DI (Ductile Iron)  
Spun Pipes

US Operations



## Rising over the global horizon.

The more the possibilities unfold, the more the world appears small. In today's global paradigm, success is about competing with best and winning.

Today our company has a global footprint extending across the continents, through a rapidly increasing clientele with a whopping 70% revenues earned from outside India. Further lengthening the trace, we have firmly made our place in the international financial markets to have 'best in class' stakeholders bearing testimony to our global presence. Confirming to the best standards and benchmarks globally makes us a vibrant transnational, ready and eager to take on the world.



**Bankers:**

State Bank of Patiala  
State Bank of India  
Canara Bank  
Standard Chartered Bank  
ICICI Bank Ltd  
Bank of Baroda

UTI Bank Limited  
State Bank of Mysore  
Calyon Bank Limited  
Karnataka Bank  
Punjab National Bank  
ING Vysya Bank Ltd.

**Auditors:**

Statutory Auditors  
M/s N.C. Aggarwal & Co.  
Chartered Accounts,  
New Delhi

Internal Auditors  
RSM & Co.  
Chartered Accounts,  
New Delhi

**Address:**

Regd. Office  
A1-UPSIDC Industrial Area,  
Nandgaon Road, Kosi Kalan,  
District Mathura,  
281403 (U.P.)

Corporate Office  
Jindal Centre,  
12 Bhikaiji Cama Place,  
New Delhi-110066

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## Towards new realms of opportunity.



Going global isn't just about expanding the boundaries of business. It's about expanding the horizons of the mind. To win globally, an organization needs to think globally, constantly enhancing intellectual capital and technological prowess. That is the path your company has chosen for itself. The road ahead may be challenging but then, challenge and opportunity are two sides of the same coin!

Dear Shareholders,

I take immense pleasure in affirming that this year has been very eventful for the company. From being an established market leader in the large diameter pipe segment, we have emerged as a well diversified, transnational from India, with a sharp focus on our positioning of **"Total Pipe Solutions"**.

During the year, the business environment has been very well supported by the economies of the world. India and China are fast emerging as the engines of growth, striding ahead to propel the global economy to such a level that the developed countries of the west are eager to get their space in these economies and benefit from the integration process.

India in particular has taken significant steps to integrate itself with the international economy and attract a lot of attention in the manufacturing and the services sector. India also has the advantage of youth and talent, a well-established legal framework, language benefit and above all a vibrant democracy. Consequently, the Indian economy is booming and has shown an all round development in the industrial, financial and the services sector. The increase in demand has been healthy which has been in turn supported by enhanced capacities.

## Vice Chairman's Message

Growth in the Oil and Gas sector has been robust. The thrust on making natural gas as a preferred fuel for large infrastructure sector industries has given a boost to this sector. There has been a lot of emphasis on infrastructure development, leading to urbanization with modern settlements, supporting the growth of the water transportation segment. The overall energy transportation sector including the transportation of oil and gas and water has caught the attention of economic planners and now we have a road map ahead of us promising an encouraging short to medium term sustained growth.

Jindal Saw has positioned itself well to gain from the opportunities offered by the environment. The four "Strategic business units" concept, on which the business of Jindal Saw has been structured, enables us to remain sharply focused on every segment of the business and at the same time evolve a well-diversified and resilient business model capable of sustained year on year growth. All our production capacities, created from the recent investment, are in commercial production and are increasing capacity utilization rapidly to gain market share. The raw material prices have also softened, thereby improving our margins, which is likely to benefit us next year as well.

This year your company has made significant forays into the international finance market. We have successfully placed Global Deposit Receipts (GDRs) worth US\$ 75 Million with 'best in class' investors in the world. These GDRs have been listed at Luxemburg Stock Exchange. The

company has also successfully completed its maiden international syndicated debt offering with a large group of international banks. These efforts have been in line with our vision to become a significant player in the international arena.

We stand committed in our endeavor to be a responsible corporate citizen and evolve systems and processes in line with our growth prospects. We also stand committed in protecting the environment in which we operate and have a harmonious approach towards our business. Overall we remain confident that the company has got the right vision, the management, the strength and strategy to emerge as a strong global player in its industry and significantly enhance the Shareholders' value in the years to come.

In our quest to pursue our objectives and goals we recognize and acknowledge the faith and conviction placed in us by our shareholders, Government authorities, banks, financial institutions, clients, suppliers and the other stakeholders. We have immense faith in the dedication of our employees and their single-minded focus on enhancing the shareholders' value.

We thank all our stakeholders and assure to stay committed to our vision to build Jindal Saw into a strong Indian transnational organization.

Jai Hind!

With the emergence of India Inc. redefining the scope of time and distance, success isn't merely about changing with the times, but about leading change. The bottom line is, foreseeing the forces of change ahead of the others and leveraging first-mover advantage.

Our ceaseless search for new products, new categories, new markets and new paradigms is a manifestation of our quest for approaching tomorrow in fast-forward mode.

**Fast forward into tomorrow.**



# Company Profile

## The Genesis:

Jindal Saw Ltd. (formerly known as SAW Pipes Limited) is a part of the USD 4 billion Jindal Group, one of the country's foremost industry houses. It started operation in the year 1984, when it became the first company in India to manufacture Submerged Arc Welded (SAW) Pipes using the internationally acclaimed U-O-E process.

## About Jindal Saw Ltd. (JSL):

JSL is one of the country's largest producers of SAW pipes, which is widely used in the energy sector for the transportation of oil and gas. With integrated facilities at multiple locations and an ever expanding market opportunity, JSL has diversified from a single product company to a multi-product company, manufacturing Large diameter Submerged Arc Welded pipes & Spiral pipes and bends for energy transportation sector. Carbon, alloy and stainless steel seamless tubes manufactured by conical piercing process are used for industrial applications, and Ductile iron (DI) pipes for water and sewage transportation.

JSL has effectively established itself as a market leader and a global major in providing "Total Pipe Solutions" to the industry. The company boasts of an innovative, process driven and quality conscious business environment, as reflected by the ISO 9001, ISO 14001 and ISO 18001 certifications, amongst others.

The company's business operations are highly structured with 4 strategic business units -

SAW Pipes, Seamless Tubes, DI (Ductile Iron) Spun Pipes and the US Operations. While the first three SBUs manufacture and market SAW Pipes, Seamless tubes and Ductile Iron pipes respectively, the fourth SBU acts as a dedicated marketing arm catering to the American market. The US Operations gets raw material converted to finished goods from Jindal Saw's US affiliates under a toll conversion arrangement and further markets the product in the US market. Besides these, JSL also provides various value added products and services like anti-corrosion coatings, bends and connector casings.

The nine state-of-the-art manufacturing facilities of Jindal Saw Ltd. are located at 4 places in India. The first, in Kosi Kalan in U.P, manufactures SAW Pipes using U-O-E process. Another unit for coating is also situated here. At Nashik (Maharashtra), the company manufactures Stainless steel, carbon and alloy Seamless pipes and tubes.

There are two manufacturing bases in Mundra (Gujarat). Mundra-I, the first location is a 100% Export Oriented Unit that has two plants manufacturing SAW Pipes and Helical pipes. A coating plant is also co-located at Mundra-I. Mundra II, the second base, has three more plants. Two plants are dedicated to manufacture SAW pipes. The third is a totally integrated pipe unit for manufacturing Ductile Iron spun pipes with onsite coke oven plant and a blast furnace.



**US Affiliates:**

SAW Pipes USA, Inc (SPU) and Jindal United Steel Corporation (JUSCO), headquartered in Baytown, Texas are the two affiliates of JSL. With one of the widest Plate mills in North America, the Jindal United Steel produces steel plate in widths up to 160 inches and thickness ranging from ¼” to over 4”. It also produces a large number of steel grades ranging from structural quality (A36) to higher quality grades (such as for the pipe application API Grades to X80). SAW Pipes USA mill produces DSAW pipe to service energy and petrochemical markets, including large diameter line pipe for onshore and offshore use. The facility manufactures a broad variety of steel pipe ranging from structural pipe to the highest grades, such as API X80, with the ability to produce pipe of wall thickness ranging from ¼” to 1” thick and pipe diameters from 24” to 48”. It has also built quality line pipe, casing, and pilings for many recognized global businesses. They own and operate their own barge dock and have full rail access.

Strategically located in Baytown, Texas, just 30 miles outside Houston, its ideally sited to serve the needs of the global energy and petrochemicals industry. As affiliates of Jindal SAW, the Texas Works plants benefit from the parent’s world class engineering expertise and product know-how.

**Quality Certifications:**

At Jindal Saw Ltd. (JSL), quality isn’t merely a set of predetermined standards to be adhered to. It has many more dimensions: Quality of thought, Quality of action, Quality of people, and above all, Quality of products and processes. This dedication to quality has enabled JSL to become the first pipe mill in the country to get API and ISO 9001:2000 certification, along with ISO 14001 certification for environmental management system standards and ISO 18001 certificate for occupational health & safety management systems.

JSL has a state-of-the-art NACE Laboratory where both HIC & SSC (Tension & Four Point Bend) tests can be carried out as per International Standard & codes. The laboratory has been approved by all the International agencies including Det Norske Veritas.

**Corporate Social Responsibility**

The company’s Corporate Social Responsibility Programme voluntarily integrates social and environmental concerns into operations. Strict environment management systems for air, water, and waste treatment in and around the plants ensure stringent procedures and international compliances. The organization attempts to give its workforce a hazard free working environment and a complete social infrastructure for good living.

As part of community service, JSL has adopted many villages surrounding the plants. Active volunteers from the organization undertake regular literacy drives; organize free health camps and mobile eye-care units. The company continuously strives to make these villages independent and progressive.

A GLANCE AT OUR TRACK RECORD	
Line Pipes Manufactured	9247 kms
NACE	1228 kms
Anti-Corrosion Coatings	12.15 Million Sq.Mtr.
LR Bends Fabricated	3070 pieces
Connector Casings	465 kms

## Directors' Report

To  
The Members,

Your Directors are pleased to present the 21st Annual Report and Audited Statement of Accounts of the Company for the year ended 30th September, 2005:

### FINANCIAL RESULTS

Particulars	For the year 2004-2005 (Rs in Lakhs)	For the year 2003-2004 (Rs in Lakhs)
<b>Gross Sales &amp; Income from Operations</b>	<b>239,282.03</b>	112,330.12
Profit before Interest and Depreciation	<b>28,160.20</b>	13,804.22
Less:		
- Interest	<b>9,469.62</b>	3,866.91
- Depreciation	<b>3,542.16</b>	2,188.33
Profit before tax	<b>15,148.42</b>	7,748.98
Provision for Income Tax and Wealth Tax	<b>5,075.16</b>	2,124.82
Net Profit After tax	<b>10,073.26</b>	5,624.16
Debenture Redemption Reserve Written Back	<b>625.00</b>	-
Add: Balance brought forward from previous Year	<b>12,769.90</b>	9,435.07
Total amount available for appropriation	<b>23,468.16</b>	15,059.23
Less : Appropriations:		
(a) Debenture Redemption Reserve	<b>1,437.50</b>	187.50
(b) Transfer to General Reserve	<b>1,250.00</b>	1,000.00
(c) Proposed dividend on Preference Shares	<b>21.51</b>	-
(d) Proposed dividend on Equity Shares	<b>1,884.58</b>	974.48
(e) Corporate Tax on dividends	<b>267.33</b>	127.35
<b>Balance carried to Balance Sheet</b>	<b>18,607.24</b>	12,769.90

### REVIEW OF OPERATIONS

During the year the Company has registered a sale of Rs. 2,392.82 crores as compared to Rs. 1,123.30 crores for the last year, thereby registering the growth of 113%. The EBIDTA margin for the year was Rs. 281.60 crores as compared to Rs. 138.04 crores, registering a growth of 104%. The PAT for the year grew by 79% to Rs. 100.73 crores in the year ended September, 2005. During the year the Company has shown a substantial improvement in its operating and financial performance, largely due to the contributions coming from all the four Strategic Business Units and as a result the returns coming from the capital investments made by the Company over the last few years. The operational efficiency of the Company has also improved during this period as demonstrated by the improvement in per unit manufacturing cost of the products. The capital of the Company including working capital has also been used more efficiently and has resulted in the reduction of the weighted average cost of capital.

This year has been the eventful year for the Company as all the facilities created over the last few years have gone into production and started generating returns, the financial performance of the Company has shown a substantial growth and a foundation has been laid for emergence of a leading corporate in its area of business. The strategic initiatives, the capital investments and the focus on the operations have led to the enhancement in the shareholders value as evidenced by 78% growth in earning per share.

This year has also seen the Company placing itself firmly in the international capital market and opening new avenues for resource mobilization to finance future growth. At present we are getting encouraging indications from the economy in particular the oil, gas and water transportation sector which are the key business drivers for our growth. The Company would stand to benefit from the large amount of capacity that we have created and would help in generating high returns without any incremental investment. We are hopeful that we would be able to build on the momentum of growth that the Company has seen during this year.

### DIVIDEND

This year your Directors have recommended a dividend of Rupees 4/- per Equity Share of Rs. 10/- each (40%) (Previous year Rs.2.50 per Equity Share) for the year ended 30th September, 2005.

# Directors' Report

## OFFERING OF GLOBAL DEPOSITORY SHARES

For repayment of certain existing debts of the Company, the Company offered Global Depository Shares (GDSs) aggregating to USD 75 Mn. (including green shoe option of USD 10 Mn.) in the International Market. The Global offering received the over-whelming response from the International Investors and the Company issued, at the first instance, 81,35,000 GDSs @ USD 7.99 per GDS represented by equal number of underlying Equity Shares of Rs. 10/- each. The second trench of 12,50,000 green shoe GDSs was also allotted by the Company after the close of financial year at the same price of USD 7.99 per Global Depository Share. The GDSs are listed on Luxembourg Stock on Euro MTF market.

## ISSUE OF PREFERENCE SHARES

During the year under review, the Company successfully placed Preference Shares aggregating to Rs.100 crores with Financial Institutions and Banks in the form of 1,00,00,000 – 7.85% Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each.

## JOINT VENTURE WITH IUP – STATUS

Main Plant's civil work is 90% complete and the balance work like interconnecting road work, etc. are in progress and will be completed by end of December 2005. The external development work like landscaping, gate complex, etc. are in progress and will be completed by end of December, 2005.

The imported equipments from IUP such as mill-25", slitter-25" and tension leveler have been commissioned and under stabilising phase. The BA line is under commissioning and will be operational by end of November, 2005.

The Swastik Foils equipments such as skin pass mill, inspection line (1 No.) have been commissioned & running successfully. The mill-18" & AP line (1 No.) are under commissioning and will be operational by end of November, 2005 and early December, 2005 respectively. The rest of equipments such as slitter-24", AP line (1 No.) and Mill-24" will be commissioned and operational by December, 2005.

The new AP line is under erection & commissioning and will be operational by early December, 2005. The new BA Furnace is expected at site by end of November, 2005 and will be operational by end of December, 2005. The genset is under trial and be operational by end of November, 2005. The supply of gas from GAIL has started w.e.f. 3rd November, 2005.

The Company has started Trial Production w.e.f. 7th October, 2005 and raised its first invoice on 24th October, 2005. A dispatch plan of 14,000 MT has been planned from calendar 2006. The market position although is not very buoyant we see new opportunities in Hard, BA, Ultra thin and substitution of Chrome plated / Spring Steel by Stainless Steel. The major focus shall be on exports.

All the important appointments have been made. Till date 70% work force is transferred from Swastik Foils to the Company and rest of the employees will be transferred by end of December, 2005.

## CHANGE OF NAME

As you are aware that with your approvals in the previous Annual General Meeting, the Company's name has been changed to Jindal Saw Ltd. w.e.f. 11th January, 2005 consequent upon issue of fresh Certificate of Incorporation by the Registrar of Companies, U.P. & Uttaranchal.

## MANAGEMENT DISCUSSION AND ANALYSIS AND CORPORATE GOVERNANCE

A separate report on Management Discussion and Analysis relating to business and economic environment surrounding your Company is enclosed as a part of the Annual Report. Another report provides information / status on the Corporate Governance.

## 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 by the Board of Directors: -

- (a) that in the preparation of the annual accounts for the financial year ended 30th September, 2005, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (c) that the Directors had 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;
- (d) that the Directors had prepared the accounts for the financial year ended 30th September, 2005 on a 'going concern' basis.

**DIRECTORS**

Shri P.R. Jindal and Shri Purshottam Lal retire by rotation and, being eligible, offer themselves for re-appointment. The Board in its meeting held on July 28, 2005 appointed Smt. Savitri Devi Jindal, wife of Late Shri O.P. Jindal, the Great Visionary, Renowned Industrialist and the Founder of Jindal Group, as an additional Director. In order to broad base the Board, the Directors in their meeting held on November 22, 2005 appointed Dr. S. K. Gupta as an additional Director. The Company has received notices pursuant to Section 257 of the Companies Act, 1956 from its members expressing their intention to propose the candidature of Smt. Savitri Devi Jindal and Dr. S. K. Gupta to the office of the Directors of the Company. Accordingly, the necessary resolutions for their appointment are included in the Notice convening the ensuing Annual General Meeting.

During the year under review Shri Moosa Raza, IAS (Retd.) resigned from the Directorship of the Company due to his pre-occupation. Similarly, ICICI Bank Ltd. withdrew its nominee, Shri M. V. Satya Prasad from the Board of Directors of the Company. The Board expresses its gratitude to Shri Moosa Raza and Shri M.V. Satya Prasad for their valuable contribution in steering the affairs of the Company during their tenure as Directors.

**AUDITORS & THEIR REPORT**

M/s N. C. Aggarwal & Co., Chartered Accountants, Auditors of the Company retire at the end of ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. Auditors' remarks in their report read with the notes to accounts referred to by them are self-explanatory.

**COST AUDIT**

Pursuant to Section 233 B of the Companies Act, 1956 and as per the order of the Central Government, the Company carries out audit of Cost Accounts, relating to steel tubes and pipes every year. The Board subject to the approval of Central Government has appointed Shri S. N. Balasubramanian, Cost Accountant, to audit the Cost Accounts relating to manufacture of steel tubes and pipes for the year ended 30th September, 2005.

**LISTING**

The Equity Shares of your Company are listed on National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and The Calcutta Stock Exchange Association Ltd. The application for delisting of Equity Shares from The Calcutta Stock Exchange Association Ltd., Kolkata, is pending. The GDSs offered by the Company are listed on Luxembourg Stock Exchange on Euro MTF market.

**PUBLIC DEPOSITS**

The Company had repaid the deposits matured during the year except unclaimed deposits aggregating Rs. 98.45 lakhs at the end of the year.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, ETC.**

Information in accordance with the provision of Section 217(1)(e) of Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the statement annexed hereto.

**SUBSIDIARY COMPANIES**

The Annual accounts of the Subsidiaries, Hexa Securities & Finance Company Ltd., Jindal Enterprises LL.C. and IUP Jindal Metals & Alloys Ltd. along with statement pursuant to Section 212(1)(e) of the Companies Act, 1956 are attached with this Report.

**PERSONNEL**

The industrial relations remained cordial throughout the year. As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in Annexure to this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

**ACKNOWLEDGEMENT**

The Board of Directors are grateful to concerned Departments of Central/State Governments, Financial Institutions and Company's Bankers for their timely help and co-operation. The Directors also wish to place on record their appreciation on the contribution made by the employees at all levels to the efficient operation of the Company. We are deeply grateful for the confidence and faith that you have placed in the Company as its member.

Place : New Delhi  
Date : 22nd November, 2005

For and on behalf of the Board  
**Savitri Devi Jindal**  
Chairperson

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# Directors' Report

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## **ANNEXURE TO THE DIRECTORS' REPORT**

### **ANNEXURE1**

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

#### **CONSERVATION OF ENERGY :**

##### **(a) ENERGY CONSERVATION MEASURES TAKEN :**

1. New capacitor bank (25KVAR) installed on the Expander, Hydro tester & Press to have the improved power factor thus resulting in less consumption of electricity.
2. Weak capacitors replaced with new capacitors at the substation capacitor bank to have the improved power factor & less consumption of energy.
3. Additional conveyor & rotator system has been installed at Mig-station in welding section to minimise use of EOT cranes.
4. Air leakage is stopped in plant. The compressor is on unload position for longer period resulting in saving of electricity.
5. Modification of Sub arc Welding system from AC-AC system to DC-AC system.
6. Crimping press punch & tie holders has been modified so that no strips has to be welded for holding the dies & punches. This has resulted in saving of change over time, welding electrodes & the electrical energy.
7. Timer circuit is added for street lighting to automatically switch on and off for reducing the energy consumption.
8. All the DG engines have been overhauled to improve their efficiency.
9. Installation of new expander thereby improving its productivity.
10. A Environment Management Program (SPL/EM/EMP/20) was conducted to replace the 100 Watt lamps with low wattage CFL lamps at all the houses in the colony. The same has concluded with their replacement resulting in saving of electricity (85Watts on each lamp).
11. At all the houses in the colony, energy meters installed to have the data of electricity consumption by the residents of the colony. Number of units has been fixed for the different categories, to control the overall consumption.
12. More transparent sheets provided on the roof of plant shed, to minimize the need of lights during the day.
13. Cooling Tower fan provided to put on Temperature Monitoring System for reduction of power consumption.
14. Experiments conducted by use of additives, for improving fuel efficiency.
15. Introduced water treatment chemicals in the close circuit system, for overall improvement in the efficiency of heat exchanger.
16. Initiated restructuring of ETP with a focus to minimize energy consumption.

##### **(b) ADDITIONAL INVESTMENT AND PROPOSAL FOR REDUCTION OF CONSUMPTION OF ENERGY :**

1. Power factor and harmonics control panel to be installed to improve average PF for the month from existing 0.92 to 0.98 (aprox). Also to apply for benefit on energy billing and incentive for maintaining PF above 0.92.
2. Hot mill CT1 drive to be added for 15KW motor for better operational efficiencies.
3. Pursuing application for taking Power connection from State Electricity Board in Mundra (Gujarat).

##### **(c) IMPACT OF ABOVE MEASURES :**

The impact of above measures taken will result in lower energy consumption per ton of production.

**FORM "A"**
**Form for disclosure of particulars with respect to Conservation of Energy  
POWER & FUEL CONSUMPTION**

	2004-2005	2003-2004
<b>(I) Electricity :</b>		
Purchased Units	<b>1,96,32,252</b>	1,46,51,727
Total Amount (Rs.)	<b>7,77,23,638</b>	6,31,35,092
<b>Rate Per Unit (Rs.)</b>	<b>3.96</b>	4.31
<b>(II) Own Generation Through D.G. Set</b>		
Generated Units	<b>4,07,85,252</b>	1,68,52,681
Unit per Litre of Oil	<b>3.40</b>	3.44
Cost Per Unit (Rs.)	<b>5.66</b>	4.86
<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
Production : SAW Pipes, Seemless, Ductile Iron Pipes and Re Rolled Stainless Steel Strips, Electricity for		
(i) Manufacturer of Iron and Steel Pipes / Products Per MT	<b>101.01</b>	91.35
(ii) Pre Rolling of Stainless Steel Strips Per MT	<b>563.41</b>	436.70

**FORM "B"**

Form of disclosure of particulars with respect to technology Absorption for 2004-2005

1. Specific areas in which Research & Development carried out by the company.
  - Shifted one of the furnace on LPG instead of HSD/LDO
  - Flooring of plant with Kota stone to avoid soil contamination from oil, grease etc.
  - Commissioned Micro hardness testing machine for process control requirements.
2. Benefits Derived
  - These initiatives, have resulted in general improvement of operational efficiencies.
3. Failure Plant of Action -
  - (a) Target has been set to improve the yield by 2%
  - (b) To study the possibility of running JCO Press by single motor 200 HP (Present 2 motors of 200 HP each).
4. Expenditure of R & D
  - Development & improvement of products is an inbuilt and ongoing activity within existing manufacturing facilities. Expenditure incurred on R&D during the year under report has not been specifically apportioned.
5. Foreign Exchange

	2004-2005	2003-2004
		(Rs in Lacs)
(a) Earnings	<b>59,800.77</b>	28,467.01
(b) Outgo	<b>96,323.07</b>	42,424.59

Place : New Delhi  
Date : 22nd November, 2005

For and on behalf of the Board  
**Savitri Devi Jindal**  
Chairperson

# Corporate Governance

Long term success is the result of astute corporate vision, tempered with real values. Your company has built its leadership vision on the solid foundations of integrity, ethics, commitment and transparency. We believe a robust business model such as this vital to our evolution as an internationally successful corporate entity.

**Values are a priceless asset.**

## (1) COMPANY'S PHILOSOPHY

The Company's Philosophy on Corporate Governance envisages the attainment of highest level of transparency, accountability and equity in all facets of its operations and in all its inter-actions with its stakeholders including shareholders, employees, lenders and the Government. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

## (2) BOARD OF DIRECTORS

### (i) Composition of Board

The composition of Board of Directors during the year ended September 30, 2005 is given below: -

Name of Director	Status	No. of Other Directorships and Committee Memberships/Chairmanship		
		Directorship	Committee Membership	Committee Chairmanship
Smt. Savitri Devi Jindal* <i>Chairperson</i>	Promoter – Non Executive	8	-	-
Shri P.R. Jindal <i>Vice-Chairman</i>	Promoter – Non Executive	5	-	-
Ms. Sminu Jindal <i>Managing Director</i>	Promoter - Executive	3	-	-
Shri Purshottam Lal	Independent – Non Executive	-	-	-
Shri A.J.A. Tauro	Independent – Non Executive	2	-	1
Shri Moosa Raza**	Independent – Non Executive	7	-	6
Shri M V Satya Prasad*** <i>Nominee Director of ICICI Bank Ltd.</i>	Independent – Non Executive	1	-	-
Shri Devi Dayal	Independent – Non Executive	1	-	-
Shri Kuldip Bhargava	Independent – Non Executive	-	-	-
Shri H. S. Chaudhary	Independent-Executive	-	-	-

\* w.e.f. 28.4.2005

\*\* upto 13.5.2005

\*\*\*upto 16.9.2005

**(ii) Board Meetings and Attendance Record of each Director**

5 meetings of the Board of Directors were held during the year ended 30th September, 2005. These were held on 28.10.2004, 25.01.2005, 28.04.2005 and 28.07.2005. The attendance of each of the Directors including at Annual General Meeting is as follows :-

Directors	No. of Board Meetings Attended	Attendance at the last AGM
Smt. Savitri Devi Jindal*	-	-
Shri P.R. Jindal	3	Yes
Ms. Sminu Jindal	3	No
Shri Purshottam Lal	4	No
Shri A.J.A. Tauro	3	Yes
Shri Moosa Raza **	2	No
Shri M V Satya Prasad	4	No
Shri Devi Dayal	3	No
Shri Kuldip Bhargav	3	No
Shri H.S. Chaudhary	1	No

\* w.e.f. 28.04.2005

\*\* upto 13.05.2005

**(iii) Details of Remuneration Paid to Directors**

**Remuneration Paid to Non-executive Directors**

The Non-Executive Directors are paid sitting fee of Rs. 5000/- for each meeting of the Board, Audit and Shareholders' Grievance Committee or other Committee(s) attended by them. During the year under review the Directors were paid the sitting fee as follows:-

Name of Director	Sitting Fee (Rs.)
Shri P. R. Jindal	85,000
Shri Purshottam Lal	1,10,000
Shri A.J.A. Tauro	30,000
Shri Moosa Raza	10,000
Shri M.V. Satya Prasad (Paid to ICICI Bank Ltd.)	20,000
Shri Devi Dayal	15,000
Shri Kuldip Bhargava	30,000

**Remuneration Paid to Executive Directors**

The remuneration paid to the Executive Directors during the year under review is as under :-

Name of Director	Position	Salary (Rs.)	Commission (Rs.) *
Ms. Sminu Jindal	Managing Director	21,70,000	13,40,000
Shri H.S. Chaudhary	Whole-time Director	9,12,717	NIL

The terms of appointment of Managing Director are on contractual basis for a period of 5 years from the date of appointment. The notice period is 6 calendar months. In the event of termination of appointment, the Managing Director will be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956. Terms of appointment of Whole Time Director are contractual for a period of 2 years from the date of appointment. The Company has not issued any stock option.

\* @ 1% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to a maximum of an amount equivalent to one year salary.

**(3) AUDIT COMMITTEE**

**(i) Terms of Reference**

The role and terms of Audit Committee cover the area of Clause 49 of the listing agreement with Stock Exchanges and Section 292A of the Companies Act, 1956 besides other terms as may be referred to by the Board of Directors of the Company. The minutes of the Audit Committee are taken note by the Board of Directors.

**(ii) Composition and meetings**

The Committee met 5 times during the year on 28.10.2004, 25.01.2005, 28.04.2005 and 28.07.2005. The attendance of the Members at the meetings is as follows: -

Name of Member	Status	No. of Meetings Attended
Shri A.J.A. Tauro	Chairman	3
Shri Purshottam Lal	Member	4
Shri Kuldip Bhargava	Member	3

Shri Sunil Jain, Company Secretary is the Secretary of the Committee. Head of Finance & Accounts Department, Statutory Auditors, Cost Auditors and Internal Auditors attend the meetings of the Audit Committee. The Audit

Committee deals with the various aspects of financial statements including quarterly, half yearly and annual results, adequacy of internal controls & internal audit functions, compliance with accountings standards and Company's financial & risk management policies. It reports to the Board of Directors about its findings & recommendations pertaining to above matters.

#### (4) REMUNERATION COMMITTEE

The Company has only two Executive Directors on the Board whose appointment and remuneration has been fixed by the Board and approved by the Members. In view of this, no Remuneration Committee needs to be constituted.

#### (5) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

##### (i) Terms of Reference

To look at redressing of shareholders/investors complaint like transfer of shares, non-receipt of dividend warrants, etc.

##### (ii) Composition

The Composition of Shareholders/Investor Grievance Committee is as under :-

Name of Member	Status
Shri P.R. Jindal	Chairman
Shri A.J.A. Tauro	Member
Shri Purshottam Lal	Member
Ms. Sminu Jindal	Member

Shri Sunil Jain, Company Secretary is the compliance officer of the Company.

The Board has delegated powers of approving transfer of shares to the Executive Directors of the Company to be ratified by the Board later in their meeting. As there were no serious and major grievances reported, the Committee met once on 22.9.2005.

##### (iii) Shareholders' Complaint / Transfer of Shares

The details of shareholders' / investors complaints received / disposed off during the year under review are as follows :-

No. of Shareholders' Complaints Received during the Year	No. of Complaints not solved	No. of Pending Share Transfers
12	Nil	Nil

#### (6) GENERAL BODY MEETINGS

(a) The details of Annual General Meetings held during the last three years are as under: -

AGM	Day	Date	Time	Venue
18th	Saturday	21.12.2002	11.30 a.m.	Regd. Office
19th	Saturday	29.11.2003	11.30 a.m.	Regd. Office
20th	Tuesday	07.12.2004	11.30 a.m.	Regd. Office

During the year under review 3 Extraordinary General Meetings were held on 4th June, 26th August and 24th September, 2005.

(b) Whether special resolutions were put through postal ballot last year?

Two resolutions were passed through postal ballot pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 as per details below: -

- (i) an ordinary resolution under Section 293 (1)(a) of the Companies Act, 1956 for transferring of manufacturing equipments comprised in Swastik Foils Division of the Company to IUP Jindal Metal & Alloys Ltd. (formerly IUP Jindal Hexa Metals Ltd.)
- (ii) a special resolution under Section 372A of the Companies Act, 1956 for investment by the Company in the share capital of IUP Jindal Metal & Alloys Ltd. (formerly IUP Jindal Hexa Metals Ltd.)

Shri Manoj Kumar, Sr. Partner, Hammurabi & Solomon, Advocates & Corporate Law Advisors, New Delhi conducted the postal ballot process as Scrutiniser.

(c) Are special resolutions proposed to be put through postal ballot this year?

At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot. If any requirement arises during the current year, the Company shall comply with all the requirements of the postal ballot as laid down u/s 192A of the Companies Act, 1956 read with the Rules made thereunder.

**(7) DISCLOSURES**

- a. Disclosures on materially significant related party transaction i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company. Transactions with the selected parties have been disclosed in Schedule No. 22 to the Accounts in the Annual Report.

- b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

None.

**(8) MEANS OF COMMUNICATION**

- |  |   |
|--|---|
| i) Half-yearly report sent to each household of shareholder  | No  |
| (ii) Quarterly results which newspapers normally published   | Business Standard / Rashtriya Sahara                |
| (iii) Any web site, where displayed  | www.jindalsaw.com. The results are displayed on it. |
| (iv) Whether it also displays official news releases and presentations made to institutional investors / analyst | No  |
| (v) Whether MD&A is a part of Annual Report  | Yes   |

**(9) GENERAL SHAREHOLDER INFORMATION****(a) Annual General Meeting to be held**

Date, time and venue

- Date : December 29,2005  
 Time : 12.30 P.M  
 Venue : A-1, UPSIDC Indl. Area,  
 Nandgaon Road, Kosi Kalan,  
 Distt. Mathura – 281 403

**(b) Financial Calendar 2005-2006**

- (i) First Quarterly Results : Before end of January, 2006  
 (ii) Second Quarterly Results : Before end of April, 2006

- (iii) Third Quarterly Results : Before end of July, 2006  
 (iv) Audited Yearly Results : October/November, for the year ended 30th September, 2006  
 (v) Annual General Meeting : December, 2006 in the year 2006

**(c) Dates of Book Closure**

December 27,2005 to December 29,2005 (Both days inclusive).

**(d) Dividend payment date**

Dividend on Equity Shares when sanctioned will be made payable on or after the January 3, 2006 to those Shareholders whose names stand on the Company's Register of Members on the December 26,2005 to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.

**(e) Listing on Stock Exchanges**

The Equity Shares of the Company are listed on the following Stock Exchanges: -

- (i) Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001  
 (ii) The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata – 700 001  
 (iii) The National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051

The Global Depository Shares issued by the Company are listed on Luxembourg Stock Exchange on Euro MTF market. The Debentures issued by the Company on private placement basis are listed on Bombay Stock Exchange Ltd.

- Notes:** (i) Listing fees have been paid to the Stock Exchanges for the year 2005-2006.  
 (ii) The application for delisting of Equity Shares made to the Stock Exchange at Kolkata on December 31, 2003 is pending.

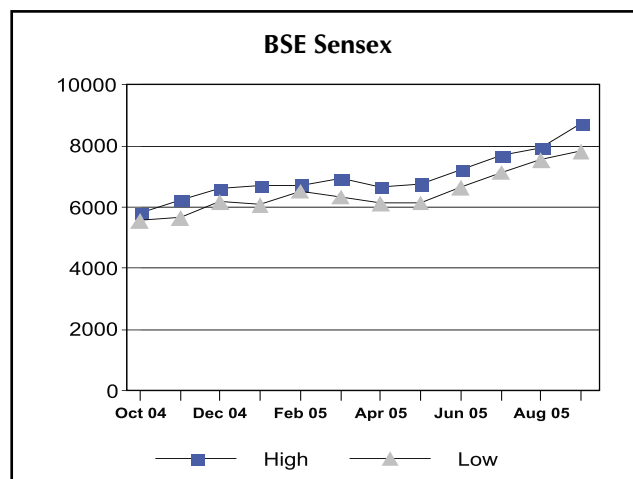
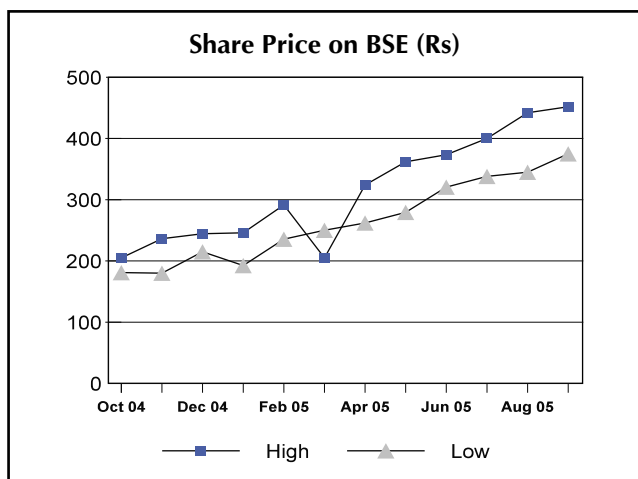
- (f) Stock/Company/Security/Common Code Equity Shares**  
Bombay Stock Exchange Ltd. - 500378  
The Calcutta Stock Exchange Association Ltd. - 10029015  
The National Stock Exchange of India Ltd. - JINDALSAW

- (g) Market Price Data**  
The details of monthly highest and lowest closing quotations of the Equity Shares of the Company at Bombay Stock Exchange Ltd. during financial year 2004-2005 are as under:

Month	Highest Rate (Rs.)	Lowest Rate (Rs.)	No. of Shares Traded
October, 2004	205.00	181.00	3234898
November, 2004	236.30	180.05	4416203
December, 2004	244.35	215.00	2681638
January, 2005	246.00	192.50	4187736
February, 2005	291.40	235.50	3692291
March, 2005	305.00	250.00	2518287
April, 2005	324.00	262.00	2025545
May, 2005	361.95	279.30	2029405
June, 2005	373.50	320.50	1758546
July, 2005	400.00	338.20	448146
August, 2005	442.00	345.00	705607
September, 2005	451.80	375.00	539645

**(h) Performance in comparison to broad based indices**

Market Price Data					
Share Price on BSE (Rs.)			BSE Sensex		
Month	High	Low	Month	High	Low
Oct-04	205.00	181.00	Oct-04	5803.82	5558.14
Nov-04	236.30	180.05	Nov-04	6248.43	5649.03
Dec-04	244.35	215.00	Dec-04	6617.15	6176.09
Jan-05	246.00	192.50	Jan-05	6696.31	6069.33
Feb-05	291.40	235.50	Feb-05	6721.08	6508.33
Mar-05	305.00	250.00	Mar-05	6954.86	6321.31
Apr-05	324.00	262.00	Apr-05	6649.42	6118.42
May-05	361.95	279.30	May-05	6772.74	6140.97
Jun-05	373.50	320.50	Jun-05	7228.21	6647.36
Jul-05	400.00	338.20	Jul-05	7708.59	7123.11
Aug-05	442.00	345.00	Aug-05	7921.39	7537.50
Sep-05	451.80	375.00	Sep-05	8722.17	7818.90

**(i) Registrar and Transfer Agents**

RCMC Share Registry P Ltd., 1515, (1st Floor), Bhisham Pitamah Marg, Kotla Mubarakpur, Near South Extn., New Delhi - 110 003. Phone: 24692346,24601017. Fax: 24692345 e-mail: rcmc@theoffice.net

The Share Transfer Requests as well as other correspondence relating to Shares of the Company are also accepted our office at Jindal

Centre, 12, Bhikaji Cama Place, New Delhi - 110 066.

**(j) Share Transfer System**

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Board has delegated powers of approving transfer of shares to the Executive Directors of the Company to be ratified by the Board later in their meeting.

**(k) Distribution of Shareholding**

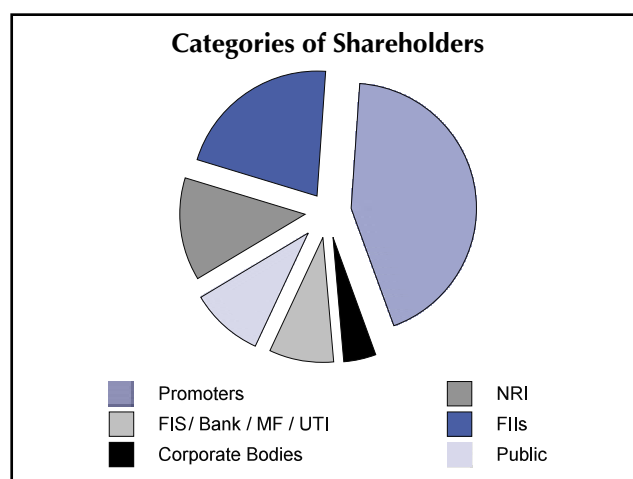
The shareholding distribution of Equity Shares as of 30th September 2005 is given below: -

No. of Shares	No. of Shareholders	%	No. of Shares	%
Upto 5000	12473	86.16	1855108	3.94
5001 TO 10000	990	6.84	766086	1.63
10001 TO 20000	550	3.80	856882	1.82
20001 TO 30000	124	0.86	327119	0.69
30001 TO 40000	72	0.50	258188	0.55
40001 TO 50000	40	0.28	190413	0.40
50001 TO 100000	98	0.68	730728	1.55
100001 AND ABOVE	129	0.89	42129934	89.42
TOTAL	14476	100.00	47114458	100.00

**(l) Shareholding Pattern as on 30th September, 2005**

The categories of shareholders is shown hereunder

Category	No. of Shares	% of Holding
Promoters	20456658	43.42
NRI	6290338	13.35
Fis/Bank/MF/UTI	3965388	8.42
FIs	10157789	21.56
Corporate Bodies	1919060	4.07
Public	4325225	9.18
Total	47114458	100.00



**(m) Dematerialization of Equity Shares**

Number of Shares in physical and demat form as on 30th September 2005.

	No. of shares	Percentage of total shares
Physical segment	31418989	66.68
Demat segment	15695469	33.32
Total	47114458	100.00

**(n) Outstanding GDRs**

On 20th September, 2005, the Company allotted 81,35,000 Global Depository Shares (GDSs) representing equal number of Equity Shares of the Company @ USD 7.99 per Global Depository Share. The underlying Equity Shares representing outstanding GDSs have already been included in the Equity Share Capital. Therefore, there will be no further impact on Equity Capital of the Company.

Since the close of financial year, 12,50,000 Option GDSs have also been allotted to the Initial Purchasers representing equal number of Equity Shares of Rs.10/- each @ USD 7.99 per Global Depository Share.

**(o) Plant (Locations)**

The Plants of the Company are located at Kosi Kalan (Mathura, U.P.), Sinar (Nashik, Maharashtra), New Delhi and Mundra (Kutch, Gujarat)

**(p) Address for correspondence**

Jindal Saw Ltd.  
Jindal Centre,  
12, Bhikaiji Cama Place,  
New Delhi – 110 066  
Telephone No. : 26188360-74  
Fax No. : 26170691 / 51659575  
E-mail No. : investors@jindalsaw.com

## Auditors' Report on Corporate Governance

**To the Members of**

**JINDAL SAW LIMITED**

We have examined the compliance of conditions of Corporate Governance Procedure implemented by JINDAL SAW LTD for the year ended on 30th September, 2005 as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of the Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation there of adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and based on the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investors' grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders /Investor's Grievance Committee.

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.

**N.C. Aggarwal**  
Partner

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 22nd November 2005

# Management Discussions & Analysis

Beyond products, plans, plants, people and policies, the performance of any business depends upon how well it adapts to existing and emerging market realities. That's why your company lays great emphasis on studying diverse factors, both internal and external, and basing future strategies on lessons learnt from the knowledge repository called the corporate world.

**Analysing trends. Amalgamating the future.**

## **INDUSTRY STRUCTURE, DEVELOPMENT, OPPORTUNITIES & THREATS**

Large diameter SAW pipes are the internationally preferred mode of transportation in the oil and natural gas industry as it is a safer, more reliable, environment friendly and cost efficient mode of transportation. LSAW Pipes products are primarily used in oil and natural gas transportation and in high temperature and pressure applications in refineries and petrochemical units. HSAW pipes products are primarily used in sewage lines and in transportation of water, crude and refined petroleum products and natural gas under low-pressure conditions. A significant part of seamless tubes and pipes products are used in oil refineries, petrochemical plants and in OCTG applications. Seamless tubes and pipes also find application in mechanical, structural, chemical, automobile and general engineering industries.

India is one of the fastest growing major economies today and provides significant opportunities for growth. According to industry reports, transportation of oil and natural gas through dedicated pipelines currently constitute approximately 25% of the total oils and natural gas transportation in India, significantly lower than the penetration in many developed countries. The use of natural gas in the energy industry is also expected to increase significantly. The current low per capita usages of pipes in India, the recent discovery of large oils and gas reserves in various parts of India, the Government's decision to permit oil retailing by the private sector and the proposed national pipeline grid formulated by GAIL and infrastructure development projects of other major players in the energy industry in India are expected to increase the demand for large diameter SAW pipes for use in oil and natural gas transportation. The sustained growth witnessed in other industries including in OCTG applications in the

power generation, mechanical, structural, chemical, automobile and general engineering industries are also expected to result in an increased demand for seamless tubes and pipes used in these industries.

Similarly, the Government's focus and increased budgetary allocation for the development of urban and rural infrastructure including elaborate water resources and sewage management plans and several infrastructure development projects initiated by international and multilateral development finance institutions have resulted in an increased demand for DI pipes products

The performance of energy industry and fluctuation in oil and natural gas prices may pose threats to the industry, since the level of above activities is primarily dependent on current and anticipated oil and natural gas prices. Many factors, such as supply and demand of oil and natural gas, general economic conditions and global weather patterns affect these prices. As a result, future levels and volatility of oil and natural gas prices are uncertain.

The prices of primarily raw material, i.e., steel plates coils and steel billets are significantly dependent on steel prices in the international and domestic market. Numerous factors derive the cycles of the steel industry and influence steel prices. Some of these factors include general economic conditions, industry capacity utilization, downturns in purchases by traditional bulk steel end users or their customers, a slowdown in basic manufacturing industries, import duties and other trade restrictions and currency exchange rates.

Iron ore and low ash content coal are the principal raw materials for manufacture of DI pipes. Various types of chemicals including low ash content coal, welding consumable are also used in manufacturing process of above pipes. Purchases of these items from third party suppliers expose us to fluctuations in market prices

resulting from changes under supply and demand and other factors.

## **OUTLOOK**

The increased demand for oil and natural gas, higher oil and natural gas prices and anticipated growth in the global energy industry is expected to result in an increased demand for our product. Exports have been important sources of growth of the Company and we intend to continue to focus on our international markets. Sales to international markets have enabled us to access a wider customer base and reduce dependence on domestic customers.

The increasing sales volume, diverse product range and financial strength result in economies of scale in sourcing raw material and marketing our product, thereby enabling us to be the cost competitive of pipes and tubes. These factors also enable us diversify our exposure to different business segments and reduce our dependents of any one end use industry or business segment.

The manufacturing facilities of the Company are located in three distinct geographical locations at Kosi Kalan (U.P.), Mundra (Gujarat) and Nashik (Maharashtra). This enables the Company to strategically cater to its customers in India from our several facilities depending upon geographical locations of our customer in order to minimize transportation costs and increase our cost competitiveness. Mundra facilities strategically located in close proximity to the Mundra and Kandla Ports to cater to customers in international markets. Our U.S. operations enable us to avoid expensive freight costs and more effectively address operational requirements of customers in U.S. and neighboring markets.

## **RISKS AND CONCERNS**

There are number of risks and concerns affecting the business of the Company. Briefly they are :-

- Economic downturns or stagnant economics in India and global markets;
- A decrease in demand for SAW pipes, seamless tubes and pipes, DI pipes and our other products and services in the Indian and global markets;
- A decrease in international and domestic prices for products and services;
- Fluctuations in the price and availability of key raw materials, including steel plates and coils, steel billets, iron ore and low ash contents coal, and lack of assured supply of electrical power at reasonable costs;
- Increase in transportation and freight costs, or non-availability of transportation due to strikes, shortages or any other reason;
- Delays in project schedule and adverse changes in purchasing practices of our customers;
- An increase in interest rates at which we can raise debt financing or increases in our existing floating interest rate liabilities;
- Adverse fluctuations in the exchange rate of the Indian rupee versus major international currencies including the U.S. dollar;

- Competition from global and Indian pipes and tubes manufacturers, including new entrants in the market;
- Changes in government policies, including introduction of or adverse changes in tariff or non-tariff barriers, affecting the pipes and tubes industry and the steel industry generally in India or globally; and
- Accidents and natural disasters.

## **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has adequate systems of internal control in place. This is to ensure that assets are safeguarded against loss, unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly. The Company has an exhaustive budgetary control system. The Management on an ongoing basis reviews actual performance with reference to the budget.

The internal audit function is outsourced from a reputed firm, which examine the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements. The Management and the Audit Committee of the Board review the findings and recommendations of the internal auditors.

## **FINANCIAL AND OPERATIONAL PERFORMANCE**

During the year the Company has registered a sale of Rs. 2,392.82 crores as compared to Rs. 1,123.30 crores for the last year, thereby registering the growth of 113%. The EBIDTA margin for the year was Rs. 281.60 crores as compared to Rs. 138.04 crores, registering a growth of 104 %. The PAT for the year grew by 79% to Rs. 100.73 crores in the year ended September, 2005. During the year the Company has shown a substantial improvement in its operating and financial performance, largely due to the contributions coming from all the four Strategic Business Units and as a result the returns coming from the capital investments made by the Company over the last few years. The operational efficiency of the Company has also improved during this period as demonstrated by the improvement in per unit manufacturing cost of the products. The capital of the Company including working capital has also been used more efficiently and has resulted in the reduction of the weighted average cost of capital.

This year has been the eventful year for the Company as all the facilities created over the last few years have gone into production and started generating returns, the financial performance of the Company has shown a substantial growth and a foundation has been laid for emergence of a leading corporate in its area of business. The strategic initiatives, the capital investments and the focus on the operations have led to the enhancement in the shareholders value as evidenced by 78% growth in earning per share.

Particulars	Year ended 30th Sept 2005 (Rs in lacs)	Year ended 30th Sept 2004 (Rs in lacs)	% Change
Gross sales & income from operations	239,282.03	112,330.12	113.02
Profit before Interest & Depreciation	28,160.20	13,804.22	104.00
- Finance Expenses	9,469.62	3,866.91	(144.89)
- Depreciation	3,542.16	2,188.33	(61.87)
Profit Before Tax	15,148.42	7,748.98	95.49
Provision for Tax	5,075.16	2,124.82	(138.85)
Net Profit after Tax	10,073.26	5,624.16	79.11

## MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Practices & processes around the mentioned areas have been put into operation

- 1) Partnering Business:  
Project establishment & commencing, supporting infrastructure development and hiring at key positions.
- 2) Organization Development:
  - Sourcing  
Initiatives taken around this area involve development of Job Descriptions / Position Profiles Criteria based Interviewing, Panel Selection, multiple sourcing avenues, assessments on culture fit and reference checks.
  - Facilitate an Energized, Vibrant & Caring Environment:

Efforts in this areas centre around interventions such as:

- Culture & Behaviours through Programmes on Managerial Effectiveness & Team Building.
- Regular Review of key policies to make these contemporary.
- Suggestion Scheme.
- Reward & Recognition.
- Induction of new entrants through a process of information dissemination on Company, Policies, Processes, Operations, Functional Inter linkages.
- Worklife Balance initiation – Recreation, Sports & Cultural Events at Units.
- Employee Satisfaction Survey at Units.
- Performance Management System:

Defining of Goal Setting Process, establishing KRAs for Managerial categories, and setting Guidelines on Appraisals and its methodology, Performance Review process, Rating patterns & Promotion.

- Benchmarking:

Salary Benchmarking and merit oriented Pay Review exercise.

- 3) Building Individual Capability:  
Interventions such as Position Success Profile Gap Analysis, Development Action Plans form the steps towards continuous people capability building. Structured interventions through in-house and external programmes, job rotations, multi-skilling

and job enrichment depending on need. Cross Unit deployments, overseas visits with a view to strengthening the vision and knowledge base.

- 4) Introducing contemporary HR practices and strengthening implementation of existing processes.
- 5) Building business ownership to People Processes.
- 6) Succession Planning:  
Infusion at middle & senior levels, individual career progression through devolving of higher responsibilities, job rotations, overseas visits and sponsorship to knowledge symposiums.

### Industrial Relation

Cordial Industrial Relations have prevailed during the year with the co-operation, support and belief amongst all employees. Measures are continuously being examined towards improving the Welfare and Health of all staff.

### Corporate Social Responsibility

Corporate Social Responsibility has been one of the guiding principles of your Company for decades. The Company always strives to improve the quality of life of its employees and of the community in which it operates.

The Company places utmost emphasis on the safety of its workmen. The Company's commitment to protecting and improving the environment extends beyond normal regulatory requirements.

### CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's estimates, projections, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include economic conditions affecting demand-supply and price conditions in the domestic and overseas markets in which the Company operates, raw material prices, changes in the Government regulations, tax laws and other statutes, economic development within India and the countries within which the Company conducts business and incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of subsequent developments, information or events.

# Auditors' Report

To

## THE MEMBERS' OF JINDAL SAW LIMITED

We have audited the attached Balance Sheet of JINDAL SAW LIMITED as at 30th September 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

We report that-

- A) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order, so far as applicable to the Company.
- B) Further to our comments in Annexure referred to in paragraph (A) above, we also 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, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books.
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, *except to the extent stated in Note No 5(a) and 6 of notes to accounts.*
  - (e) Based on representation made by all the directors of the company to the Board and the information and explanations as made available to us by the company, none of the directors of the company is disqualified as on 30th September, 2005 from being appointed as director of the company as referred to in clause (g) of sub section (1) of section 274 of the companies act 1956.
  - (f) *Attention is invited to the following notes of Schedule 23:*
    - (i) *Note No 6 regarding change in the method of accounting policies related to Issue Expenses, which were earlier amortized over a period of ten years now adjusted against Share Premium Reserve.*
    - (ii) *Note No 5(a) regarding non-provision for diminution in value of unquoted investments (amount unascertained)*

*Without Considering item f(ii) above, the effect of which could not be determined, had the impact of item f(i) above been considered, Profit for the year would have been Rs.9,948.10 lacs (instead of Rs.10,073.26 lacs) and Reserves and Surplus would have been Rs.71,161.42 lacs (instead of Rs.70,035.00 lacs) and Miscellaneous Expenditure would have been Rs.1,126.42 lacs (instead of Rs.Nil) and the miscellaneous expenditure written off would have been Rs.125.16 lacs (Instead of Rs.Nil).*

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2005, and
- ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
- iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**ANNEXURE TO AUDITORS' REPORT**

REFERRED TO IN PARAGRAPH (A) IN OUR REPORT OF EVEN DATE FOR THE YEAR ENDED 30.09.2005

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) A major portion of the fixed assets has been physically verified by the Management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. To the best of our knowledge, no material discrepancies have been noticed on such verification.
- c) The Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. a) As explained to us, the management during the year has physically verified inventories. However, stocks in the possession and custody of third parties and stock in transit as at 30th September 2005 have been verified by the Management with reference to confirmation or statement of account or correspondence of the third parties or subsequent receipt of goods. 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 inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventories. The discrepancies noticed during physical verification of inventories as compared to book records were not material and the same have been properly dealt with in the books of account.
3. a) As informed to us, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Thus Paragraph 4 (iii) (b), (c) and (d) of the order, is not applicable.
- b) (i) The Company has given interest free demand loan to a subsidiary 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 subsidiary and the year-end balance of such loan is Rs.1,245.99 lacs and Rs863.99 lacs respectively. The Company has not given any other loan to any other party.
- (ii) In our opinion and according to information and explanations given to us, the interest free demand loan with relevant terms and conditions on which loan has been given are not, prima facie, prejudicial to the interest of the Company.
- (iii) In respect of the aforesaid loan, the amount is repayable on demand, and the question of irregularity on payment does not arise.
- (iv) The aforesaid loan is repayable on demand and therefore, the question of overdue amounts does not arise.
4. In our opinion and according to information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventories, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

## Auditors' Report

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 into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions with parties with whom transactions exceeding the value of Rupees five lacs have been entered into during the financial year are at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the accounts and records maintained by the Company in respect of manufacture of steel and steel products to which the said rules are made applicable pursuant to the order made by the Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed records have been made and maintained. We have not, however, made a detailed examination of such records with a view to determine whether these are accurate and complete.
9. a) According to the information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Sales Tax, Income Tax, Custom duty, Investor education & Protection fund, Excise Duty, cess, Service Tax and royalty. There are no arrears as at 30th September 2005 for a period of more than six months from the date they become payable.
- b) According to the information and explanation given to us, the dues in respect of sales tax, excise that have not been deposited with the appropriate authorities on account of dispute and the forum where the disputes are pending are given below:-

Name of the Statute	Amount (Rs in lacs)	Forum where dispute is pending
Sales Tax	4.80	Dy. Commissioner Appeal, Mathura
Sales Tax	525.93	Sales Tax Tribunal, Ahmedabad
Excise duty	2.90	CESTAT, New Delhi
Excise duty	3.50	Commissioner (appeals), Lucknow

10. The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current year and immediately preceding financial year.
11. According to the information and explanation given to us, the Company has not defaulted in repayment of dues to the financial institutions, banks and debenture holders.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provision of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 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 the Company has given guarantee for loan taken by others from banks, or financial institutions are not prima facie, prejudicial to the interest of the company.
16. In our opinion, and according to information and explanation given to us, the terms loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short-term basis, which have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
19. According to the information and explanations given to us, the Company has created security for the debentures issued.
20. The Company has raised money by Public issue i.e. preferential issue of Global Depository Shares during the year. We have verified the end use of such money raised as disclosed in notes to accounts (refer Note No 12 of Schedule 22)
21. During the course of our examination of the books and records of the Company, and according to the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place: New Delhi

Dated: 22nd November, 2005

# Financial Statements

## BALANCE SHEET

Description	Schedule	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	14,711.47	3,897.97
Reserves and Surplus	2	70,035.00	36,088.25
		<b>84,746.47</b>	<b>39,986.22</b>
<b>Deferred Tax Liability (Net)</b>	3	<b>5,988.21</b>	4,657.77
<b>LOAN FUNDS</b>			
Secured	4	57,312.20	44,158.25
Unsecured	5	42,457.29	12,263.83
		<b>99,769.49</b>	<b>56,422.08</b>
<b>Total</b>		<b>190,504.17</b>	<b>101,066.07</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS :</b>			
Gross Block	6	83,089.32	47,668.46
Less :Depreciation		19,187.72	15,223.04
<b>Net Block</b>		<b>63,901.60</b>	<b>32,445.42</b>
Capital Work in Progress		8,783.78	23,318.60
Pre-operative Expenses		162.30	1,672.48
		<b>72,847.68</b>	<b>57,436.50</b>
<b>INVESTMENTS</b>	7	<b>9,622.48</b>	5,600.94
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	8	92,624.91	45,182.44
Sundry Debtors	9	33,345.73	41,038.89
Cash and Bank Balances	10	15,085.91	3,383.09
Loans and Advances	11	16,455.74	11,555.03
		<b>157,512.29</b>	<b>101,159.45</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	12	45,764.46	61,309.01
Provisions	13	3,713.82	1,821.81
		<b>49,478.28</b>	<b>63,130.82</b>
<b>NET CURRENT ASSETS</b>		<b>108,034.01</b>	<b>38,028.63</b>
<b>Total</b>		<b>190,504.17</b>	<b>101,066.07</b>
<b>NOTES TO THE ACCOUNTS</b>	22		

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**H.S. Chaudhary**

Wholetime Director

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**Neeraj Kumar**

Director (Finance) & CFO

**A.J.A. Tauro**

**Dr. S.K. Gupta**

**Kuldip Bhargava**

Directors

**PROFIT AND LOSS ACCOUNT**

Description	Schedule		For the year 2004-05 (Rs. in lacs)	For the year 2003-04 (Rs. in lacs)
<b>INCOME</b>				
Sales and Operational Income	14	<b>239,282.03</b>		112,330.12
Less: Excise Duty		<b>7,920.39</b>	<b>231,361.64</b>	4,124.95
Other Income	15		<b>1,444.32</b>	601.32
Increase/(Decrease) in Stock	16		<b>19,037.65</b>	7,028.68
			<b>251,843.61</b>	115,835.17
<b>EXPENDITURE</b>				
Material Consumed / Sold			<b>178,087.27</b>	76,009.40
Manufacturing Expenses	17		<b>27,939.58</b>	17,704.47
Payments to and Provisions for Employees	18		<b>4,094.60</b>	2,521.60
Selling Expenses	19		<b>9,500.86</b>	3,947.86
Finance Expenses	20		<b>9,469.62</b>	3,866.91
Administrative & Other Expenses	21		<b>4,061.10</b>	1,847.62
Depreciation		<b>3,961.98</b>		2,540.44
Less: Transfer to Revaluation Reserve		<b>419.82</b>	<b>3,542.16</b>	352.11
			<b>236,695.19</b>	108,086.19
Profit before Taxation			<b>15,148.42</b>	7,748.98
Provision for Taxation				
- Income Tax		<b>3,794.21</b>		1,875.00
- Fringe Benefit Tax		<b>42.50</b>		-
- Deferred Tax Liability		<b>1,330.44</b>		248.75
- Prior Period Tax Adjustment		<b>(93.79)</b>	<b>5,073.36</b>	(0.43)
Provision for Wealth Tax			<b>1.80</b>	1.50
Profit After Taxation			<b>10,073.26</b>	5,624.16
Debenture Redemption Reserve Written Back			<b>625.00</b>	-
Profit Brought Forward			<b>12,769.90</b>	9,435.07
<b>Disposable Profit</b>			<b>23,468.16</b>	15,059.23
<b>APPROPRIATIONS</b>				
Proposed Dividend :				
- on Equity Shares			<b>1,884.58</b>	974.48
- on Preference Shares			<b>21.51</b>	-
Corporate Tax on Proposed Dividends			<b>267.33</b>	127.35
General Reserve			<b>1,250.00</b>	1,000.00
Debenture Redemption Reserve			<b>1,437.50</b>	187.50
Balance Carried to Balance Sheet			<b>18,607.24</b>	12,769.90
			<b>23,468.16</b>	15,059.23
Basic Earning per Share (In Rs.) of Rs. 10/- each			<b>25.62</b>	14.43
Diluted Earning per Share (In Rs.) of Rs. 10/- each			<b>20.78</b>	14.43

**NOTES TO THE ACCOUNTS**

22

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For &amp; on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**H.S. Chaudhary**

Wholetime Director

**Neeraj Kumar**

Director (Finance) &amp; CFO

**A.J.A. Tauro****Dr. S.K. Gupta****Kuldip Bhargava**

Directors

# Financial Statements

## SCHEDULE

Description	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
<b>SCHEDULE "1"</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
i) 10,00,00,000 Equity Shares (Previous Year 5,00,00,000 Equity Shares) of Rs.10/- Each	10,000.00	5,000.00
ii) 1,00,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each (Previous Year 25,00,000 Shares)	10,000.00	2,500.00
	<b>20,000.00</b>	<b>7,500.00</b>
<b>Issued And Subscribed</b>		
i) 4,71,15,108 (Previous year 3,89,80,108) Equity Shares of Rs.10/- each	4,711.51	3,898.01
ii) 1,00,00,000 (Previous year Nil) 7.85% Redeemable Cumulative Preference Shares of Rs.100/- each	10,000.00	-
	<b>14,711.51</b>	<b>3,898.01</b>
<b>Paid Up</b>		
i) 4,71,14,308 (Previous year 3,89,79,308) Equity Shares of Rs.10/- each Add : Forfeited Capital 800 Equity Shares (partly paid up Rs.5 each) have been forfeited	4,711.43  0.04	3,897.93  0.04
	<b>4,711.47</b>	<b>3,897.97</b>
ii) 1,00,00,000 (Previous year Nil) 7.85% Redeemable Cumulative Preference Shares of Rs.100/- each	10,000.00	-
	<b>14,711.47</b>	<b>3,897.97</b>
1. OF THE ABOVE EQUITY SHARES		
a) 20,08,000 were allotted pursuant to contract without payment being received in cash.		
b) 66,13,936 were allotted pursuant to Schemes of Amalgamation without payment being received in cash.		
c) 2,57,96,172 were allotted as fully Paid Up bonus shares by capitalising Reserves and Share Premium		
d) 81,35,000 have been issued as underlying shares to the Global Depository Shares (each representing one share) issued.		
e) 650 have been held in abeyance and not allotted as a result of attachment orders by Govt. authorities, lost share certificates and other disputes.		
2. Initial purchasers of GDS have an option to buy on or before 14th October, 2005, 12,50,000 GDS (represented by equal No of equity shares) at a purchase price of US\$ 7.99 per GDS.		
3. Preference shares are to be redeemed in three yearly installments in the ratio of 30:30:40 at the end of fifth, sixth and seventh year from the date of allotment i.e 22.09.2005. These also carry put / call option at the end of 5th year.		

**SCHEDULE "2"**

	As at Sept. 30,2004 (Rs. in lacs.)	Additions / created during the year	Deductions	As At Sept. 30,2005 (Rs. in lacs)
<b>RESERVES AND SURPLUS</b>				
(i) Capital Reserve	9.50	-	-	<b>9.50</b>
(ii) Capital Redemption Reserve	1,500.00	-	-	<b>1,500.00</b>
(iii) General Reserve	17,155.32	1,250.00	-	<b>18,405.32</b>
(iv) Debenture Redemption Reserve	1,562.50	1,437.50	625.00	<b>2,375.00</b>
(v) Share Premium Account	558.91	27,718.31	1,251.58*	<b>27,025.64</b>
(vi) Revaluation Reserve	2,532.12	-	419.82	<b>2,112.30</b>
(vii) Profit and Loss Account	12,769.90	10,698.26	4,860.92	<b>18,607.24</b>
<b>Total</b>	<b>36,088.25</b>	<b>41,104.07</b>	<b>7,157.32</b>	<b>70,035.00</b>
Previous year	31,923.69	6,811.66	2,647.10	<b>36,088.25</b>

\*Utilized for share issue expenses

**SCHEDULE "3"**
**DEFERRED TAX LIABILITY**
**A Deferred Tax Liability**

Difference between book and tax depreciation

**Total Deferred Tax Liability**
**B) Deferred Tax Assets**

- (i) Disallowance under Income Tax Act
- (ii) Provision for Diminution in investments
- (iii) Carried Forward Losses

**Total Deferred Tax Assets**

Deferred Tax Liability (Net) ( A-B)

	As At Sept. 30,2005 (Rs. in lacs)	As at Sept. 30,2004 (Rs. in lacs.)
<b>Total Deferred Tax Liability</b>	<b>6,742.94</b>	4,779.67
<b>Total Deferred Tax Assets</b>	<b>754.73</b>	121.90
<b>Deferred Tax Liability (Net) ( A-B)</b>	<b>5,988.21</b>	4,657.77
<b>SCHEDULE "4"</b>		
<b>SECURED LOANS</b>		
<b>A. Redeemable Non-Convertible Debentures</b>	<b>25,000.00</b>	15,750.00
<b>B. Term Loan</b>		
(i) From Banks	<b>18,973.81</b>	16,257.88
(ii) From Financial institutions	<b>2,350.25</b>	5,056.81
<b>C. Working Capital Loans</b>	<b>10,963.77</b>	7,067.17
<b>D. Deferred Sales Tax Loan</b>	<b>24.37</b>	26.39
	<b>57,312.20</b>	44,158.25

**NOTES**

- A (1) Debentures referred to in A above are secured by pari-passu charge by way of English mortgage on the Company's specific immovable properties located in the State of Gujarat and by way of equitable mortgage of Company's other immovable properties and hypothecation of moveable fixed assets in favour of Debenture Trustees.
- (2) Debentures referred to the A above are privately placed and consist of :
- (i) 9.75% Debenture of Rs.100/- each aggregating to Rs.7,500.00 lacs are redeemable in three equal Annual instalments commencing from 01.10.2007
  - (ii) 7.75% Debenture of Rs.10,00,000/- each aggregating to Rs.7,500.00 lacs are redeemable in three equal Annual instalments commencing from 25.03.2008
  - (iii) 7.75% Debenture of Rs.100/- each aggregating to Rs.10,000.00 lacs are redeemable in three equal annual instalments commencing from 29.09.2009.
  - (iv) debentures referred to in (ii) & (iii) above are also secured by personal guarantee of directors.
- B. (i) Term Loans from Banks include Loans of Rs.118.20 lacs (Previous year Rs.140.52 lacs) for purchase of vehicles and secured by way of hypothecation of vehicles.

# Financial Statements

- (ii) Term Loans from Banks include loans of Rs.18,211.45 which are secured / to be secured by way of mortgage of Company's immovable properties and hypothecation of moveable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.
- (iii) Term Loans from Banks/Financial Institutions include loans of Rs.13,457.56 lacs (Previous year Rs.12,893.25 lacs) for which Director(s) personal guarantee has been provided.
- (iv) Term Loans from Financial Institutions & others include a House Property loan of Rs.644.16 lacs (Previous year Rs.692.00 lacs) which is to be secured by way of exclusive charge on the Company's House Property situated in Delhi.
- (v) Term Loans from Financial Institutions & others include loans of Rs.2,350.25 lacs secured by way of mortgage of Company's immovable properties and hypothecation of moveable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.
- (vi) Term Loans from Financial Institutions & others include a loan of Rs.1,800.00 Lacs, which is secured by way of charge subservient to 1st & 2nd charge holders on entire moveable and immoveable properties of the Company.
- (vii) Term loans from Financial Institutions include loans of Rs.2,350.25 Lacs (Previous year Rs.4,230.81 lacs) for which Director(s) personal guarantee has been provided
- C. Working Capital Loans are secured/to be secured by hypothecation of finished goods, raw-materials, work-in-progress, stores and spares, book debts and second charge in respect of other moveable and immoveable properties of the Company.
- D. Deferred Sales Tax Loan is secured by way of second pari passu charge on immoveable assets and hypothecation of moveable assets at the Company's Kosi Kalan Unit (in UP)

As At Sept. 30,2005 (Rs. in lacs)	As at Sept. 30,2004 (Rs. in lacs.)
<b>4,035.93</b>	2,980.03
<b>2,188.35</b>	908.80
<b>23,233.01</b>	8,375.00
<b>13,000.00</b>	-
<b>42,457.29</b>	12,263.83

## SCHEDULE "5"

### UNSECURED LOANS

- (i) Fixed Deposits
- (ii) Deferred Sales Tax Loan
- (iii) Unsecured Loans from Banks
- (iv) Commercial Paper

### NOTE

- i) Deferred Sales Tax loan and unsecured loan of Rs.5,625.01 lacs from banks are guaranteed by one of the Directors.
- ii) Unsecured loan from banks includes amount of Rs.14,250.00 lacs payable within one year.

## SCHEDULE "6"

### FIXED ASSETS

Rs. In lacs

Description	Gross Block				Depreciation				Net Block	
	As At 01.10.04	Additions	Deduction/ Adjustments	As At 30.09.2005	UPTO 30.09.2004	During the Year	Deduction/ Adjustment	UPTO 30.09.2005	As At 30.09.2005	As At 30.09.2004
LAND :										
- Free hold	435.01	49.74	45.69	439.06	-	-	-	-	439.06	435.01
- Lease hold	394.17	-	-	394.17	72.32	6.46	-	78.78	315.39	321.85
Buildings	7,429.46	2,049.39	-	9,478.85	1,211.40	204.93	-	1,416.33	8,062.52	6,218.06
Plant & Machinery	38,476.74	33,192.84	7.34	71,662.24	13,686.59	3,683.73	2.16	17,368.16	54,294.08	24,790.15
Vehicles	570.87	152.19	36.35	686.71	167.81	58.86	14.22	212.45	474.26	403.06
Furniture & Fixtures	362.21	66.08	-	428.29	84.92	27.08	-	112.00	316.29	277.29
<b>TOTAL</b>	<b>47,668.46</b>	<b>35,510.24</b>	<b>89.38</b>	<b>83,089.32</b>	<b>15,223.04</b>	<b>3,981.06</b>	<b>16.38</b>	<b>19,187.72</b>	<b>63,901.60</b>	<b>32,445.42</b>
<b>Previous Year</b>	<b>40,696.69</b>	<b>7,211.83</b>	<b>240.06</b>	<b>47,668.46</b>	<b>12,764.91</b>	<b>2,551.47</b>	<b>93.34</b>	<b>15,223.04</b>	<b>32,445.42</b>	<b>27,931.78</b>

### NOTE

- A) Gross Block includes the following amount on account of revaluation made on 31.03.1996 of Pipe Division at A-1, UPSIDC Indl. Area, Kosi Kalan at Net current Residual Replacement Value.
- 1) Land
- |             |        |                         |          |
|-------------|--------|-------------------------|----------|
| - Freehold  | 7.38   | (ii) Building           | 548.34   |
| - Leasehold | 143.59 | (iii) Plant & Machinery | 3,916.96 |
- B) Depreciation of Rs.19.08 lacs, included in pre-operative expenses account.

**SCHEDULE "7"**  
**INVESTMENTS**  
**LONG TERM - NON TRADE (AT COST)**

Description	As at 30-09-2005			As at 30-09-2004		
	No. of Shares / Debentures	Face Value	Amount (Rs in lacs)	No. of Shares / Debentures	Face Value	Amount (Rs in lacs)
<b>A Investment in Equity Shares of Subsidiary Companies</b>						
<b>Unquoted</b>						
a) Hexa Securities & Finance Co. Ltd.	25500000	10/-	2,550.00	25500000	10/-	2,550.00
b) IUP Jindal Metals & Alloys Ltd.*	7300000	10/-	4,131.80	50000	10/-	28.30
c) Jindal Enterprises LLC (USA)	1000	\$1000	361.92	1000	\$1000	361.92
			<u>7,043.72</u>			<u>2,940.22</u>
<b>B Investment in Equity Shares</b>						
<b>Quoted</b>						
a) Nalwa Sons Investments Ltd.**	141994	10/-	221.87	141994	10/-	221.87
b) Jindal Stainless Ltd.	2615380	2/-	595.47	2615380	2/-	595.47
c) Jindal Steel & Power Ltd.	697434	5/-	544.90	697434	5/-	544.90
d) Jindal Iron & Steel Co. Ltd.	-	-	-	378221	10/-	169.08
e) JSW Steel Ltd.***	378221	10/-	106.01	-	-	-
f) Shalimar Paints Ltd.	300000	10/-	180.00	300000	10/-	180.00
g) Jindal South West Holdings Ltd.***	94555	10/-	63.07	-	-	-
			<u>1,711.32</u>			<u>1,711.32</u>
<b>Unquoted</b>						
a) Rohit Tower Building Ltd.	2400	100/-	2.40	2400	100/-	2.40
b) Sona Bheel Tea Ltd.	86025	10/-	5.90	86025	10/-	5.90
c) Saw Pipes U.S.A. Inc	1935000	\$1	609.51	1935000	\$1	609.51
d) Jindal Overseas Pte. Ltd. (Singapore)	153000	s\$1	31.40	153000	s\$1	31.40
e) Daelim E&C India Pvt. Ltd.****	2,700,000	10/-	256.33	2700000	10/-	258.00
			<u>905.54</u>			<u>907.21</u>
Less: Provision for Diminution			<u>256.33</u>			<u>258.00</u>
			<u>649.21</u>			<u>649.21</u>
<b>C. Share Application Money</b>						
a) IUP Jindal Hexa Metals Ltd. (Subsidiary Company)			-			152.19
			-			152.19
<b>D. Securities of Govt. / Govt. Undertaking</b>						
a) National Savings Certificates	-	-	0.10	-	-	-
b) 11.30% GOI 2010	70000	100/-	82.13	-	-	-
c) Punjab State Electricity Board	4	400000/-	16.00	4	700000/-	28.00
d) H.P.Road & Other Infrastructure Development Corporation Ltd.	20	100000/-	20.00	20	100000/-	20.00
e) Gujrat State Petronet Limited *****	100	100000/-	100.00	100	100000/-	100.00
			<u>218.23</u>			<u>148.00</u>
<b>TOTAL</b>			<u>9,622.48</u>			<u>5,600.94</u>
Aggregate market value of quoted investments			<u>16,197.51</u>			<u>7,861.71</u>
Aggregate value of quoted investments			<u>1,711.32</u>			<u>1,711.32</u>
Aggregate value of unquoted investment			<u>7,911.16</u>			<u>3,889.62</u>

**Notes**

\* Name of the company has been changed from IUP Jindal Hexa Metals Ltd. to IUP Jindal Metals & Alloys Ltd.

\*\* Name of the company has been changed from Jindal Strips Ltd. to Nalwa Sons Investments Ltd.

\*\*\* 378221 equity shares of JSW Steel Ltd. (Name changed from Jindal Vijaynagar Steel Ltd.) (JVSL) and 94555 equity shares of Jindal South West Holdings Ltd. (JSWHL) were issued during the year pursuant to scheme of arrangement and amalgamation between Jindal Iron and Steel Co. Ltd. (JISCO), JSWHL and JVSL.

\*\*\*\* The company is under voluntary winding-up.

\*\*\*\*\* Pledged with Hon'ble High Court, Mumbai.

# Financial Statements

The Company has also purchased and sold the following Current Investments in Mutual Funds during the year

	No. of Units Purchased/sold	Purchase Cost (Rs in lacs)
1 SBI -L072G Magnum Institutional Income Fund - Savings - Growth	369205416	40,000.00
2 GCCG Grindlays Cash Fund - Super Inst Plan C - Growth	437001226	45,785.00
3 Principal Cash Management Fund	187970838	19,200.00
4 RLFG Sahara Liquid Fund - Growth	16732308	2,000.00
5 OCFPG HSBC Cash Fund - Institutional Plus - Growth	54556559	5,750.00
6 B503G Birla Cash Plus - Instl. Prem.-Growth	65250220	6,925.00
7 Kotak Liquid (Institutional Premium) - Growth	11056597	1,500.00
8 HDFC Cash Management Fund - Savings Plan - Growth	14326927	2,000.00
9 P311NP Prudential ICICI Liquid Plan Institutional Plus-Growth Option	42741352	7,090.00
10 DSP Merrill Lynch Liquidity Fund	7369016	1,200.00
11 TATA Liquid Super High Inv. Fund	122078	1,500.00
12 1104 ING Vysya Liquid Fund - Growth Option	15002907	1,700.00
13 Franklin Templeton Mutual Fund	119184	1,250.00
14 UTI Liquid Cash Plan Institutional	95112	1,050.00
15 ABN Amro Cash Fund	9999600	1,000.00
16 Deutsche Insta Cash Plus	96719621	10,050.67

## SCHEDULE "8"

### INVENTORIES

(As taken valued and certified by the management )

	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
i) Stores and Spares	2,842.82	1,153.16
ii) Loose Tools	38.32	6.37
iii) Finished Goods	19,844.01	4,527.97
iv) Work in Progress	7,488.46	5,080.46
v) Raw Material*	60,764.99	34,081.79
vi) Scrap	1,646.31	332.69
	<b>92,624.91</b>	<b>45,182.44</b>

\* Includes Raw Material in Transit of Rs.4,936.29 lacs (Previous Year Rs.7,296.58 lacs)

## SCHEDULE "9"

### SUNDRY DEBTORS

(Unsecured, considered good)

	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
i) Exceeding six months	9,047.75	8,070.50
ii) Others	24,297.98	32,968.39
	<b>33,345.73</b>	<b>41,038.89</b>

## SCHEDULE "10"

### CASH AND BANK BALANCES

	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
i) Cash on hand	21.49	25.82
ii) Bank balance with Scheduled banks		
- In Current Accounts	1,191.80	2,719.63
- In Fixed Deposit Account	13,587.81	637.64
iii) Bank balance with Unscheduled banks		
- In Current Accounts	284.81*	-
(JP Morgan Chase Bank, New York)		
(Maximum balance during the year Rs.1,140.77 lacs, Previous year nil)		
	<b>15,085.91</b>	<b>3,383.09</b>

\*Balance of unutilized money out of GDS issue.

Description	As At Sept. 30, 2005 (Rs. in lacs)	As At Sept. 30, 2004 (Rs. in lacs)
<b>SCHEDULE "11"</b>		
<b>LOANS AND ADVANCES</b>		
i) Advances recoverable in cash or in kind or for value to be received, - Considered Good	7,904.07	6,934.45
ii) Earnest money and Security deposits	1,572.02	1,249.32
iii) Balance with Customs and Port Authorities etc.	53.89	0.39
iv) Inter Corporate Loans	890.42	880.89
v) Loan to Subsidiary Company	863.99	963.89
vi) Interest Accrued on Investments	1.97	7.35
vii) Prepaid Expenses	1,781.36	931.50
viii) Export Benefit / Govt. Grants Receivables	3,388.02	587.24
	<b>16,455.74</b>	<b>11,555.03</b>
<b>SCHEDULE "12"</b>		
<b>CURRENT LIABILITIES</b>		
i) Acceptances	3,420.37	-
ii) Sundry Creditors	33,320.49	57,411.63
iii) Advance from Customers	1,689.89	75.30
iv) Interest Accrued but not due	478.41	159.30
v) Other Liabilities	5,753.17	3,577.73
vi) Unpaid Dividend*	99.33	85.05
vii) Advance from Subsidiary	1,002.80	-
	<b>45,764.46</b>	<b>61,309.01</b>
*There is no amount due & outstanding to be credited to Investor's Education and protection fund under section 205C of the Companies Act, 1956.		
<b>SCHEDULE "13"</b>		
<b>PROVISIONS</b>		
(i) For Taxation (Net of Prepaid Taxes)	1,345.04	604.02
(ii) For Proposed Dividend & Corporate tax thereon	2,173.42	1,101.83
(iii) Others	195.36	115.96
	<b>3,713.82</b>	<b>1,821.81</b>
<b>SCHEDULE "14"</b>		
<b>SALES AND OPERATIONAL INCOME</b>		
i) Sales	229,797.26	103,755.37
ii) Job Charges	4,841.37	5,666.56
iii) Export / Deemed Export Benefits & Govt.Grants	4,643.40	2,908.19
	<b>239,282.03</b>	<b>112,330.12</b>
	For the year 2004-05	For the year 2003-04

# Financial Statements

Description	For the year 2004-05	For the year 2003-04
<b>SCHEDULE "15"</b>		
<b>OTHER INCOME</b>		
(i) Dividend on Long Term investment	206.19	136.23
(ii) Profit on Sales of Investment	173.42	8.84
(iii) Previous Year's Adjustment (Net)	-	53.30
(iv) Miscellaneous Receipts	318.25	303.72
(v) Foreign Exchange Fluctuation (Net)	744.79	99.23
(vi) Provision for diminution in investment, written back	1.67	-
	<b>1,444.32</b>	<b>601.32</b>
<b>SCHEDULE "16"</b>		
<b>INCREASE / (DECREASE) IN STOCK</b>		
A. OPENING STOCK		
(i) Finished Goods	4,527.97	1,715.41
(ii) Work-in-progress	5,080.47	1,138.01
(iii) Scrap	332.69	59.03
	<b>9,941.13</b>	<b>2,912.45</b>
B. CLOSING STOCK		
(i) Finished Goods	19,844.01	4,527.97
(ii) Work-in-progress	7,488.46	5,080.47
(iii) Scrap	1,646.31	332.69
	<b>28,978.78</b>	<b>9,941.13</b>
Increase/(Decrease) in Stock	<b>19,037.65</b>	<b>7,028.68</b>
<b>SCHEDULE "17"</b>		
<b>MANUFACTURING EXPENSES</b>		
(i) Stores and Spares	4,508.25	1,408.60
(ii) Power and Fuel	3,717.09	1,834.27
(iii) Outsourcing	17,979.75	13,646.12
(iv) Other Manufacturing expenses	1,086.85	320.60
(v) Repair and Maintenance:		
- Plant and Machinery	533.10	295.19
- Building & Others	114.54	199.69
	<b>27,939.58</b>	<b>17,704.47</b>
<b>SCHEDULE "18"</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
(i) Salary, Wages and other Benefits	3,532.36	2,154.67
(ii) Contribution to Provident and other funds	222.92	154.02
(iii) Workmen and Staff Welfare	339.32	212.91
	<b>4,094.60</b>	<b>2,521.60</b>

Description	For the year 2004-05	For the year 2003-04
<b>SCHEDULE "19"</b>		
<b>SELLING EXPENSES</b>		
(i) Commission on Sales	2,148.23	92.71
(ii) Advertisement	67.47	46.01
(iii) Forwarding charges*	6,742.64	2,929.79
(iv) Other Selling Expenses	542.52	879.35
	<b>9,500.86</b>	<b>3,947.86</b>
*net of recoveries of Rs.2,636.62 lacs (Previous Year Rs.817.35 lacs)		
<b>SCHEDULE "20"</b>		
<b>FINANCE EXPENSES</b>		
(i) Interest on Fixed Deposits	310.44	225.83
(ii) Interest on Debentures	876.44	759.56
(iii) Interest on Term Loans	3,253.30	1,637.33
(iv) Interest on Bank Borrowings	2,307.01	525.65
(v) Bank and Finance charges	2,755.34	1,274.12
(vi) Interest to Others	469.34	127.15
	<b>9,971.87</b>	<b>4,549.64</b>
Less: Interest Received:		
(i) Interest on Bonds and Debentures (TDS Rs.4.29 lacs, Previous Year Rs.4.95 Lacs)	19.79	23.42
(ii) Other Interest on Loans, Advances and Deposit (TDS Rs.101.76 lacs, Previous Year Rs.126.07 Lacs)	482.46	659.31
	<b>502.25</b>	<b>682.73</b>
	<b>9,469.62</b>	<b>3,866.91</b>
<b>SCHEDULE "21"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES:</b>		
(i) Rent, Rates & Taxes	344.96	55.56
(ii) Insurance	284.90	153.46
(iii) Postage, Telegrams & Telephones	178.49	129.69
(iv) Travelling & Conveyance	506.24	277.25
(v) Legal & Professional	397.60	426.25
(vi) Vehicle upkeep & Maintenance	120.63	100.83
(vii) Director's Meeting Fees	3.00	3.65
(viii) Donations	115.05	32.05
(ix) Miscellaneous Expenses	703.32	524.14
(x) Auditor's Remuneration	13.39	10.32
(xi) Cost Auditor's Remuneration	3.91	2.25
(xii) Preliminary / Deferred Revenue Expenses W/off	-	1.62
(xiii) Bad Debts	1,309.30	37.84
(xiv) Loss on Sale of Fixed Assets( Net)	11.09	92.71
(xv) Previous Year's Adjustment (Net)	69.22	-
	<b>4,061.10</b>	<b>1,847.62</b>

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# Financial Statements

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## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

### SCHEDULE '22'

#### 1. Significant Accounting Policies

##### A) Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income & expenditure items having a material bearing on the financial statement are recognized on accrual basis, except in respect of insurance claims, liquidated damages, where the exact quantum cannot be ascertained.

##### B) Sales

- a) The sales are inclusive of Excise Duty but net of Sales Tax.
- b) Material returned/rejected are accounted for in the year of return /rejection.
- c) Revenue in respect of Service/ Works Contracts is recognized based on the work performed and invoiced as per the terms of specific Contracts.
- d) Revenue in respect of sale of goods is recognized either on delivery or on transfer of significant risk and rewards of ownership of the goods.
- e) Incentives on exports as per the policy of Government are recognized in books after due consideration of certainty of utilization/receipt of such incentive / grant.

##### C) Fixed Assets

###### a) Valuation of Fixed Assets

Building and Plant & Machinery in respect of Pipe Division, at A-1 U.P.S.I.D.C. Kosi Kalan, Mathura (U.P.) are stated at revalued amount as a result of their revaluation. Other fixed Assets are stated at cost of acquisition inclusive of all incidental expenses related thereto.

###### b) Depreciation

- i) Depreciation on all Fixed Assets of the Company is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, as amended up to date.
- ii) Depreciation on revalued fixed assets is computed on the assessed residual life of the respective assets and excess depreciation on account of revaluation provided under Schedule XIV of the Companies Act, 1956, has been transferred from Revaluation Reserve Account.

###### c) Expenditure During Construction Period

All expenditure during construction period in respect of new project(s) including interest on borrowed loans are carried to pre-operative expenditure pending allocation on the completion of the project. All expenditure incurred during the construction period direct, incidental and ancillary are included under capital work-in-progress and the same are related to respective Fixed Assets on completion of project.

##### D) Valuation of Inventories

Inventories are valued at the lower of cost and net realizable value except scrap, which is valued at net realizable 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.

##### (E) Investments

Long-term investments are stated at cost which inter-alia includes brokerage, commission, stamp duty etc. When there is a decline in their value except temporary decline, the carrying amount is reduced on an individual investment basis and decline is charged to the Profit and Loss account. Appropriate adjustment is made in carrying cost of investment in case of subsequent rise in value of investments. The loss on sale of non-convertible portion of Partly Convertible Debentures is added to the cost of convertible portion of Debentures where the intention is to retain the convertible portion of Debentures.

**F) Foreign Exchange Transactions**

Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All exchange differences are dealt with in the Profit & Loss Account except those relating to acquisition of fixed assets acquired from country outside india, which are adjusted in the cost of assets. Current assets, loans other than for financing fixed assets and current liabilities in foreign currency, outstanding at the year end are translated at the rate of exchange prevailing at the close of the year and resultant gains /losses are recognised in the profit and loss account of the year except in cases where they are covered by forward foreign exchange contracts in which cases these are translated at the contracted rates of exchange and the resultant gains /losses recognised in Profit and Loss Account over the life of the contract. However, gain or loss on reinstatement on the forward exchange transaction or on cancellation of forward exchange contracts, if any, is reflected in the profit and loss account or capitalised as the case may be.

**G) Contingent Liabilities**

Contingent liabilities are not provided for in the accounts but are separately disclosed by way of a note.

**H) Retirement Benefits**

- i) Liabilities in respect of gratuity to the employees are covered under the group gratuity scheme with the Life Insurance Corporation of India.
- ii) Liabilities in respect of accumulated leaves to the credit of employees are determined on the basis of their current salaries.

**I) Miscellaneous Expenditure**

- i) Preliminary & Share issue expenses are adjusted from share premium reserves.
- ii) Deferred Revenue Expenses are amortised over a period of five years except in the case of leased assets where the same are amortised over the lease period.

**J) Taxation**

Provision for tax consists of current tax and deferred tax. Current tax provision is computed for current income based on the tax liability after considering allowances and exemptions.

Deferred tax resulting from timing differences between book profits and tax profits is accounted for, at the current rate of tax, to the extent of temporary timing differences that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets arising on account of brought forward losses and unabsorbed depreciation are recognized only when there is reasonable certainty of realizations supported by convincing evidence.

**2. Contingent Liabilities not provided for in respect of :**

	As at Sep. 30,2005 (Rs in lacs)	As at Sep. 30,2004 (Rs in lacs)
a) Counter Guarantee given to Company's bankers for Guarantee given by them on behalf of the Company	<b>28,050.62</b>	22,934.87
b) Letter of Credit Outstanding (Net of Liabilities provided in the books)	<b>38,820.22</b>	42,902.07
c) Disputed Sales Tax & Excise duty	<b>537.13</b>	1.84
d) Guarantees given to Bank for credit facilities to Jindal Enterprises LLC (Wholly Owned Subsidiary Abroad)	<b>5,524.51</b>	5,815.53
e) Liability in respect of Corporate Guarantee (for 100% EOU Unit at Mundra)	<b>1,976.41</b>	2,087.36
f) Bank Guarantee given to Custom Authority for export obligation for export under EPCG Scheme	<b>399.73</b>	399.73
<b>3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)</b>	<b>578.91</b>	1,232.22

## Financial Statements

4. Based on the information available with the Company, the Sundry Creditors in Schedule "12" includes (a) Rs.154.30 lacs (Previous year Rs.24.47 lacs) to Small Scale Industrial Undertakings (b) Rs.33,166.19 lacs(Previous year Rs. 57,387.16 lacs) to other creditors. There is no amount outstanding to SSI suppliers which is due for more than 30 days beyond the credit period. The amount outstanding to SSI suppliers as on 30th September 2005 is within the credit period and names are as follows :

Saico Engg. & Fabricators, Key Industries, Ajanta Footware Co., APIDOR abrasive products Pvt. Ltd, Noopur Industries, Maruti Industries, Vim Sun Gears Pvt. Ltd, Pragati Enterprises, Hi-Tech Engineers, Jindal Systems Pvt. Ltd, Jain Metal Foundry, Ambica Engg. Co, Bright Industries, Chadha Industries, Kanwal Indl. Corp., Oil Seal Mfg Pvt Ltd, Pioneer Ind. Equipment, Parikh Industries, Precision tools & Knives, Flexibles (INDIA), Super Industrial Works, Parakh Rubber House, Ruhelkhand Engines & Machines P. Ltd., Shakti Brushes & Electricals Syndicate, Bharat Chains & Lifting Tackles, Speedage Engineers, Aeron Industrial Springs, Aishwarya Engr. Sinner, Alumkal Graphix, Atul Carbide tools, Charang Refractories, Colts Combine Engineers P. Ltd., Disha Auto Components P. Ltd., Fox Controls P. Ltd., H.C. & Co., Ishwar Engineering Co., Kailash Treatments Nasik, Kulshri Polymers, MD Electronics, Mehta Electronics, Metro Gases, Nasa Entp., Nasik Casting P. Ltd., Patel Enterprises, Pooja Industries, Prathamesh Electro Products, Prathoma Switchgears P. Ltd., Precision Ind., Prime Gears & Engineers, R.K.Plast, Rahul Eng. Entp., Ratna Industries, Rohan Industries, S.M. Industries, S.V. Hitech, Sankalp Industries, Santo Entp., Sea Linkers P. Ltd., Shanai Engineers, Shree Mauli Engineering, Shree Swami Samartha Industries, Shreerag Engineering & Auto P. Ltd., Shreekrishna Gears P. Ltd., SSP Entp., Standard Acid & Alkali, Swami Engineering, Swastik Sales Services & Co., Techno Trak Engineers, Techno Aid Enterprises, V.M. Industries, Valency Compounds Services, Vijay Engg. Works, Vishal Industries, Weldgas Corporation.

5. (a) The Company has unquoted investments of Rs.2,911.92 lacs (Previous year Rs. 2,911.92 lacs) in subsidiary companies where the net worth is negative as per the latest available Balance Sheet and certain other unquoted investment where the fair value (amount unascertained) is lower than the cost, considering the long term strategic investments and future prospects, such diminution, in the opinion of the management, has been considered to be of temporary nature and hence no provision for the same is considered necessary.
- (b) An amount of Rs.863.99 lacs (Previous year Rs.963.89 lacs), is outstanding from Indian subsidiary company, which has accumulated losses. Having regard to the long- term involvement, no provision is considered necessary on this account.
6. During the year Share Issue Expenses has been adjusted against Share Premium Reserve, which was earlier written off over a period of ten years. Had the same being written off over a period of ten years the Profit after tax would have been Rs.9,948.10 lacs (instead of Rs.10,073.26 lacs) and Reserves and Surplus would have been Rs.71,161.42 lacs (instead of Rs.70,035.00 lacs) and Miscellaneous Expenditure would have been Rs.1,126.42 lacs (instead of Rs.Nil) and the Miscellaneous expenditure Written off would have been Rs.125.16 lacs (Instead of Rs. NIL).
7. Sundry Debtors, Creditors and other advances are subject to confirmation. The effect of the same, if any, which are not likely to be material, will be adjusted at the time of confirmation.
8. One of the Company's unit is entitled to sell goods at concessional rate of excise duty based on FOB value of exports. For such sales unit is also eligible to procure duty free inputs. As per the Accounting Policy of the Company such DTA sale entitlement is being recognized as operational income in the year of accrual. It is thereafter considered as raw-material cost in the year of utilization of such entitlement. In line with this policy during the year, Company has recognized operational income and Raw Material Consumption of Rs.1,548.33 lacs and Rs.12.94 lacs respectively (Previous year Rs.1,773.84 and Rs.766.64 lacs respectively).
9. Custom duty entitlement of Rs.60.01 lacs (Previous Year Rs.23.85), in the case of Advance Licenses, is accounted for, on actual export / deemed exports.
10. The Stores and Spares consumed and Salaries & Wages incurred for repairs and maintenance of Plant and Machinery and shed and Building have not been allocated to the respective repairs and maintenance accounts.
11. In the opinion of the Board, the realisable value of current assets, loans & advances, in the ordinary course of business, would not be less than the amount at which they are stated.

12. During the year, the company has issued 8,135,000 GDS @ USD 7.99 per GDS, represented by equal number of equity shares of Rs.10 each. The total amount received of Rs.28,531.81 lacs is utilized towards repayment of term loans and working capital borrowings to the tune of Rs.26,995.41, issue expenses of Rs.1,251.58 lacs. The balance of Rs.284.82 lacs, is shown under cash and bank balances, with unscheduled bank, as unutilized balance out of issue proceeds.
13. Capital work in progress includes advance against capital goods and inventories of capital nature.
14. The amount of foreign exchange fluctuation amounting to Rs.1,870.59 lacs (Credit ) (Previous Year Rs.1,017.71 lacs – Credit) is included under the relevant heads of expenditure and income.
15. Profit for the year includes Prior Period Adjustment Rs.97.34 lacs (Debit) and Rs.28.12 lacs (Credit) [Previous Year Rs. 2.05 lacs (Debit) Rs 55.35 lacs(Credit)].
16. Advance from subsidiary of Rs.1,002.80 lacs represents advance for machinery to be transferred to IUP Jindal Metals & Alloys Ltd. under terms of joint venture agreement.
17. Profit or Loss on sale of raw material, stores and spares is not ascertained or shown separately and sale proceeds have been credited to the respective consumption accounts.
18. Related Party Transactions

**A** List of Related Parties & Relationship (As identified by the Management)

a) Parties where control exists

1	Hexa Securities & Finance Co. Ltd	}	Subsidiaries
2	Jindal Enterprises LLC.		
3	IUP Jindal Metals & Alloys Ltd.		

b) Joint Venture

Daelim E&C India Pvt. Ltd	Joint Venture
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c) Associate Enterprises

1	Jindal United Steel Corporation	Associate
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d) Key Management Personnel

1	Sminu Jindal	Managing Director
2	H.S. Chaudhary	Whole Time Director
3	Neeraj Kumar	Director-Finance
4	H.S. Bedi	Director-Technical
5	O.P. Sharma	President-Marketing
6	Sunil Trehan	President Spun Pipes
7	V.S. Konnur	President & CEO, Seamless Tube Division
8	R.N. Kale	Vice President Marketing (Seamless Tubes)
9	A.K. Shrivastava	Vice President Works, IPU
10	Vikram Puri	Vice President (Corporate Human Resources)

# Financial Statements

## B Transactions

Description	(Rs. In Lacs)			
	Subsidiaries	Associate	Key Management Personnel	Total
Purchase of material / services		<b>4,400.39</b>		<b>4,400.39</b>
		<i>65.62</i>		<i>65.62</i>
Sale of Material		<b>4.17</b>		<b>4.17</b>
		–		–
Interest Paid			<b>3.49</b>	<b>3.49</b>
			<i>2.70</i>	<i>2.70</i>
Toll Charges		<b>15,286.89</b>		<b>15,286.89</b>
		<i>9,661.32</i>		<i>9,661.32</i>
Rent		<b>53.57</b>		<b>53.57</b>
		<i>55.19</i>		<i>55.19</i>
Reimbursement	<b>133.91</b>	<b>8,294.63</b>		<b>8,428.54</b>
	<i>320.76</i>	<i>1,599.28</i>		<i>1,920.04</i>
Remuneration Paid		<b>37.72</b>	<b>182.23</b>	<b>219.95</b>
		–	<i>144.96</i>	<i>144.96</i>
Investment during the year	<b>3,951.31</b>			<b>3,951.31</b>
	<i>180.49</i>			<i>180.49</i>
<b>Outstanding Balance as on 30.09.2005</b>				
For services / material receivable	<b>454.67</b>	–		<b>454.67</b>
	–	<i>1,107.15</i>		<i>1,107.15</i>
Creditors		<b>536.08</b>		<b>536.08</b>
		–		–
Investment outstanding	<b>7,043.72</b>			<b>7,043.72</b>
	<i>3,092.41</i>			<i>3,092.41</i>
Loans & Advances Given	<b>863.99</b>			<b>863.99</b>
	<i>963.89</i>			<i>963.89</i>
Advances taken for machinery	<b>1,002.80</b>			<b>1,002.80</b>
	–			–
Financial Guarantees	<b>5,524.51</b>			<b>5,524.51</b>
	<i>5,815.53</i>			<i>5,815.53</i>
Received from liquidator of joint venture Rs.1.67 lacs				

Note : Figures in italics pertains to previous year

19. The company has only one business segment 'Iron & Steel Products' as primary segment. The secondary segment is geographical, the information of which is given hereunder:

SECONDARY BUSINESS SEGMENT			(Rs. In Lacs)
Particulars	Within India	Outside India	Total
1 Gross Revenue	<b>81,992.35</b>	<b>157,289.68</b>	<b>239,282.03</b>
	<i>31,297.90</i>	<i>81,032.22</i>	<i>112,330.12</i>
Less: Excise Duty	<b>7,920.39</b>	–	<b>7,920.39</b>
	<i>4,124.95</i>	–	<i>4,124.95</i>
Net Revenue	<b>74,071.96</b>	<b>157,289.68</b>	<b>231,361.64</b>
	<i>27,172.95</i>	<i>81,032.22</i>	<i>108,205.17</i>
2 Segment Assets*	<b>190,652.85</b>	<b>37,594.82</b>	<b>228,247.67</b>
	<i>129,314.04</i>	<i>26,749.79</i>	<i>156,063.83</i>
3 Capital Expenditure*	<b>18,185.31</b>	–	<b>18,185.31</b>
	<i>29,734.52</i>	<i>52.08</i>	<i>29,786.60</i>

\*The Company's manufacturing facilities are located in India

NOTE:

- Figures in italics pertains to previous year.
- Segments have been identified in line with AS on Segment Reporting (AS-17) taking into account the organisational structure, nature of product and differential risk and returns of these segments.

## 20. Disclosure as per amendment to clause 32 of the Listing Agreement.

### Details of Inter Corporate Loans

Name of the Company	Amount outstanding as on 30.09.2005 (Rs in Lacs)	Maximum balance outstanding during the year. (Rs in Lacs)
<b>LOANS TO SUBSIDIARIES</b>		
HEXA SECURITIES & FINANCE CO. LTD	<b>863.99</b>	1,245.99
	963.89	1,560.89
<b>LOANS &amp; ADVANCES WHERE THERE IS NO REPAYMENT SCHEDULE</b>		
STAINLESS INVESTMENTS LTD	<b>890.42</b>	890.42
	880.89	1,041.79

## 21. a) Auditors' Remuneration

	Current year (Rs. In Lac)	Previous year (Rs. In Lac)
1 Audit Fee	<b>6.34</b>	4.41
2 Tax Audit Fee	<b>1.38</b>	1.10
3 Taxation Matters	–	0.50
4 Certification /others	<b>2.95</b>	2.70
5 Out of pocket expenses	<b>2.72</b>	1.61
Total	<b>13.39</b>	10.32

## (b) Directors' Remuneration

1 Salary including allowances etc.	<b>25.16</b>	23.28
2 Commission	<b>13.40</b>	12.20
3 Contribution to P.F. etc.	<b>2.21</b>	1.85
4 Perquisites (as per Income Tax Rules)	<b>3.46</b>	2.67
Total	<b>44.23</b>	40.00

## Financial Statements

### 22. Detail of Pre operative expenses Pending allocation on completion of the projects is as under:

	As at Sept.30, 2005 (Rs. In lacs)	As at Sept.30, 2004 (Rs. In lacs)
<b>Detail of Pre-operative Expenses</b>		
Raw Material Consumption	5,445.59	-
Power & Fuel	554.69	2.01
Salary, Wages & Other Benefits	1,030.92	449.52
Contribution to Provident & other funds	35.97	17.60
Workman & Staff Welfare	61.39	36.66
Travelling & Conveyance	69.14	90.33
Rent, rates & taxes	8.73	4.39
Depreciation	19.08	11.03
Interest and bank charges	1,260.86	1,008.56
Miscellaneous Expenses	763.24	184.19
<b>Total</b>	<b>9,249.61</b>	<b>1,804.29</b>
Less:		
Sale value of goods produced during trial period	2,891.77	-
Interunit Transfers	1,879.03	-
Government Grants	22.96	-
	<b>4,455.85</b>	<b>1,804.29</b>
Add: Preoperative expenses brought forward	1,672.48	26.78
	<b>6,128.33</b>	<b>1,831.07</b>
Less: Capitalised during the year	5,966.03	158.59
Preoperative Expenses carried over	162.30	1,672.48

### 23. Computation of Net Profit Under Section 349 read with section 198 of the Companies Act, 1956.

	For the year 2004-05 (Rs in lacs)	For the year 2003-04 (Rs in lacs)
Profit before Tax	15,148.42	7,748.98
Add :		
Managerial Remuneration	44.23	40.00
Director Sitting Fees	3.00	3.65
Net Profit for the year	15,195.65	7,792.63
Commission @ 1 % to Whole Time Director	151.96	77.93
Maximum Commission payable restricted to 100 % of Salary as approved by shareholders	13.40	12.20
Commission paid	13.40	12.20

### 24. Earning per share (EPS) computed in accordance with Accounting Standard 20 'Earning Per Share'

<b>Basic and Diluted</b>		
Profit after tax	10,073.26	5,624.16
Less: Preference dividend including tax thereon	24.53	-
Profit attributable to Equity Shareholders	10,048.73	5,624.16
Weighted average No. of Shares for basic	39,224,472	38,979,308
Weighted average No. of Shares for diluted	48,364,308	38,979,308
<b>Basic EPS (Rs.)</b>	<b>25.62</b>	<b>14.43</b>
<b>Diluted EPS (Rs.)</b>	<b>20.78</b>	<b>14.43</b>
(For the Year of face value of Rs. 10/- each)		

**25. Additional Information Pursuant to Paragraph 3 & 4 of part II of the Schedule VI of the Companies Act,1956.**
**A) Installed Capacity And Production**

Description	Unit	Installed capacity		Production	
		2004-05	2003-04	2004-05	2003-04
a) Iron & Steel Pipes	M T	1,250,000	550,000	323,892	179,448
b) Anti-Corrosion Coating on Pipes	Sq.Mtr	7,000,000	7,000,000	1,154,554	1,605,884
c) Cold Rolled Strips (Thinner Gauge)	M T	6,000	6,000	8,200	7,699
d) Steel Plates	M T	-	-	201,749	89,809
e) Pig Iron	M T	200,000	-	79,670	-
f) Bevelling and End Finishing	M T	40,000	40,000	-	-
g) Chemfering	M T	50,000	50,000	-	-

**Notes**

1. The above production also includes goods manufactured for outside parties on job work basis as follows:

	Unit	2004-05	2003-04
i) Iron and Steel Pipes	MT	894	8,701
ii) Cold Rolled Strips:Thinner Gauge	MT	7,094	6,528

2. The above production includes goods manufactured by third parties :

	Unit	2004-05	2003-04
Steel Pipes	MT	39,816	57,815
Steel Plates	MT	201,749	89,809

3. Captive Consumption of Steel Plates MT 452 -

4. Above production includes production before start of Commercial production.

5. The above production of Anti Corrosion of Pipes includes the coating done for Steel Pipes Division.

6. Licensed capacity is not applicable in view of the Company's production having been delicensed as per the Liberalised Licensing Policy announced by the Govt. of India.

7. Installed capacity is as certified by the management.

**B) Material Consumption/sold**

Description	Unit	2004-05		2003-04	
		Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)
Steel Plates/Coils	MT	241,311	74,883.61	288,424	64,666.07
Steel Slabs/billets	MT	326,523	81,547.93	12,157	3,743.84
Flux and Electrods	MT	2,113	1,327.89	1,026	449.46
Cold Rolled Strips	MT	1,263	1,262.06	1,227	980.60
Coating Material*		-	1,308.34	-	3,481.90
Coal / Coke	MT	116,604	11,615.81	-	-
Iron ore	MT	180,058	5,422.12	-	-
Value of DTA sale entitlement & advance license utilised		-	90.51	-	766.64
Others		-	6,074.59	-	1,920.89
			183,532.86		76,009.40
Less					
Transferred to Pre-operative Exp.		-	5,445.59	-	-
Net Consumption			178,087.27		76,009.40

\*Quantity of consumption of coating material has not been given since their unit of measurement are different.

# Financial Statements

## C) Quantitative Information of Finished Goods Stocks

Description	Unit	Opening Stock As on 1.10.2003		Closing Stock As on 30.09.2004		Closing Stock As on 30.09.2005	
		Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)
<b>Finished Goods:</b>							
Iron & Steel Pipes	MT	6,968	1,667.37	6,608	1,900.39	24,779	10,703.06
Steel Plates	MT	-	-	8,660	2,540.77	25,465	7,819.66
Pig Iron	MT	-	-	-	-	8,396	1,102.35
Others	MT	-	-	-	-	-	108.65
Cold Rolled Strips Thinner Gauge	MT	56	48.04	88	86.81	99	110.29
			<u>1,715.41</u>		<u>4,527.97</u>		<u>19,844.01</u>

## D) Sales

Description	Unit	2004-05		2003-04	
		Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)
Manufactured goods					
Iron & Steel Pipes	MT	304,827	140,396.64	171,107	72,163.04
Steel Plates	MT	184,492	70,563.35	87,340*	27,911.49
Pig Iron	MT	71,275	12,588.15	-	-
Trading Goods - Steel Plates and Coils	MT	7,517	1,735.47	-	-
Cold Rolled Strips (Thinner Gauge)	MT	1,095	1,104.82	1,139	1,026.54
Scrap			5,875.40	-	2,319.08
Others			425.20	-	335.22
			<u>232,689.03</u>		<u>103,755.37</u>
Less: Sales value of goods produced during trial period			2,891.77		-
			<u>229,797.26</u>		<u>103,755.37</u>

\*Includes 81149 MT of goods manufactured by third parties.

## E) C.I.F.Value of Imports

Description	2004-05 Amount (Rs. In Lacs)	2003-04 Amount (Rs. In Lacs)
Raw Material	91,681.40	40,424.73
Stores & Spares	610.27	355.49
Capital Goods	1,853.56	5,724.99

## F) Break up of the Consumption of Raw Materials and Stores and Spares into Imported and Indigeneous

	2004-05		2003-04	
	% age	(Rs.in lacs)	%age	(Rs.in lacs)
a) Raw Material				
Imported	39.32	72,155.47	44.47	33,459.36
Indigeneous	60.68	111,364.45	55.53	41,783.40
	<u>100.00</u>	<u>183,519.92*</u>	<u>100.00</u>	<u>75,242.76</u>

\*exclude DTA entitlement utilised Rs.12.94 lacs (Previous year Rs.766.64 lacs)

Includes Consumption during trial period of Rs.5445.59 lacs

b) Stores & Spares				
Imported	9.16	412.86	6.71	94.52
Indigeneous	90.84	4,095.39	93.29	1,314.08
	<u>100.00</u>	<u>4,508.25</u>	<u>100.00</u>	<u>1,408.60</u>

**G) Expenditure in Foreign Exchange**

	2004-05 (Rs.in lacs)	2003-04 (Rs.in lacs)
i) Travelling	50.98	42.99
ii) Interest & Bank Charges	320.78	162.48
iii) Commission on Sale	1,742.95	23.56
iv) Payment for overseas branch	92,153.64	49,543.49
v) Fees and subscription	11.22	-
vi) Legal & Professional	25.04	-
vii) Advertisement	10.48	5.38
viii) Others	16.39	222.17

**H) Earning in Foreign Exchange**

F.O.B. Value of Exports	59,800.77	28,467.01
Revenue from Overseas branch	94,351.10	50,013.78
Interest	138.15	-

**I) Remittance of Foreign Currency on Account of Dividend:**

a) Financial year to which dividend relates	2003-04	2002-2003
b) No. of NRI shares holders	19	21
c) No. of shares held	9,736,100	9,741,800
d) Net amount of dividend remitted (net of Tax) (Rs. in lacs)	243.40	243.55

26. Previous years figures have been regrouped/re-arranged wherever necessary and practical.

27. Schedule 1 to 22 are annexed and form integral part of Balance Sheet and Profit and Loss Account.

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**H.S. Chaudhary**  
Wholetime Director

**Sunil Jain**  
Company Secretary

**P.R. Jindal**

V. Chairman

**Neeraj Kumar**  
Director (Finance) & CFO

**A.J.A. Tauro**  
**Dr. S.K. Gupta**  
**Kuldip Bhargava**  
Directors

# Financial Statements

## Balance Sheet Abstract and Companies Business Profile Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I	Registration no	23979	State Code 20	Balance Sheet	30.09.2005
II	Capital raised during the year (Rs. in thousands)				
	Public issue		Nil		
	Bonus Issue		Nil		
	Rights Issue		Nil		
	Private placement				
	- Preference Issue		1,000,000		
	- GDS		81,350		
III	Position of mobilisation and deployment of funds (Rs. in thousands)				
	Total liabilities	19,050,417	Total assets		19,050,417
	Sources of Funds:				
	Paid up Capital	1,471,147	Reserves and Surplus		7,003,500
	Deffered Tax Liability	598,821			
	Secured loan	5,731,220	Un-secured loans		4,245,729
	Application of funds:				
	Net fixed assets	7,284,768	Investments		962,248
	Net current assets	10,803,401	Misc.Expenditure		-
	Accumulated losses		Nil		
IV	Performance of the company (Rs. in thousands)				
	Gross Turnover	23,928,203	Total expenditure		23,669,519
	Net Turnover	23,136,164			
	Profit before tax	1,514,842	Profit after tax		1,007,326
	Earning per share (Rs) - Equity basic	25.62			
	Earning per share (Rs) - Equity diluted	20.78			
	Dividend rate	40%			
V	Generic name of three principal products of the Company				
	Product description				Item Code No
	i) Steel Pipe				7304.90 / 7305.90
	ii) Cold Rolled Strips				7219.20 / 7220.20

**CASH FLOW STATEMENT**

Particulars	For the year 2004-05 (Rs. in lacs)		For the year 2003-04 (Rs. in lacs)	
<b>A. CASH INFLOW (OUTFLOW) FROM THE OPERATING ACTIVITIES</b>				
NET PROFIT BEFORE TAX AND ORDINARY ACTIVITY		15,148.42		7,748.98
Adjustments for				
Add/(Less)				
Depreciation	3,542.16		2,188.33	
Misc. expenses written off during the year	-		1.62	
Other income (Dividend)	(206.19)		(136.23)	
Profit on sale of investment	(173.42)		(8.84)	
Interest Paid	7,216.53		3,275.52	
Loss on sale of fixed assets	11.09		92.71	
Interest Received	(502.25)	9,887.92	(682.73)	4,730.38
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		25,036.34		12,479.36
Adjustments for:-				
Inventories	(47,442.47)		(35,536.08)	
Sundry debtors	7,693.17		(21,097.99)	
Other current assets	(4,707.65)		(1,740.00)	
Current liabilities	(15,798.54)	(60,255.49)	47,810.79	(10,563.28)
CASH GENERATED FROM OPERATIONS		(35,219.15)		1,916.08
Tax Paid		(3,003.70)		(3,394.04)
NET CASH INFLOW / (OUT FLOW) FROM OPERATING ACTIVITIES		(38,222.85)		(1,477.96)
<b>B. CASH INFLOW / (OUTFLOW) FROM INVESTMENT ACTIVITIES</b>				
(Increase) / Decrease in Investment	(4,021.54)		(150.70)	
Capital expenditure	(18,185.31)		(29,786.60)	
Sale proceeds of fixed assets	61.91		59.38	
Loan & Advances	90.37		119.33	
Interest Received	227.89		1,025.75	
Profit on sale of investment	173.42		8.84	
Dividend Received	197.12		136.23	
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		(21,456.14)		(28,587.77)
<b>C. CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>				
Dividend paid	(1,087.55)		(1,084.20)	
Interest paid	(8,158.28)		(3,203.16)	
Proceeds from Equity Share Capital including share premium	28,531.81		-	
Share issue Expenses	(1,251.58)		-	
Proceeds from Preference Share Capital	10,000.00		-	
Working Capital loans from banks	3,896.60		3,626.14	
Increase / (Decrease) in secured loan	9,257.35		23,852.41	
Increase / (Decrease) in fixed deposits	1,055.90		1,596.82	
Increase / (Decrease) in unsecured loan	29,137.56		6,228.63	
NET CASH INFLOW / (OUTFLOW) USED IN FINANCING ACTIVITIES		71,381.81		31,016.64
NET CHANGES IN CASH & CASH EQUIVALENT		11,702.82		950.91
Opening Cash and cash equivalent		3,383.09		2,432.18
Closing Cash and cash equivalent		15,085.91		3,383.09

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**H.S. Chaudhary**

Wholetime Director

**Neeraj Kumar**

Director (Finance) & CFO

**A.J.A. Tauro**

**Dr. S.K. Gupta**

**Kuldip Bhargava**

Directors

# Financial Statements

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary company

a) <b>Subsidiary Company</b>	<b>Hexa Securities &amp; Finance Co. Ltd.</b>	<b>Jindal Enterprises L.L.C</b>	<b>IUP Jindal Hexa Metals Ltd.</b>
b) Holding Company's interest	Holds 100% of 2,55,00,000 equity shares of Rs.10/- each	Holds 100% of 1000 equity shares of US \$1000 each	Holds 49,940 out of 50000 equity Shares of Rs. 10/- each
c) Financial Year of the Company ended on	30th September, 2005	30th June, 2005	31st March, 2005
d) Net aggregate amount of subsidiary Company's Profit (Loss) not dealt within the Company's Account			
(i) For the Subsidiary Company's financial year ended 30th Sept, 2005	Profit Rs.209.56 lacs	Loss US\$ 745,052	N.A.
(ii) For the Subsidiary Company's previous financial periods, since it became the holding Company's Subsidiary	Loss Rs.2,488.98 lacs	Loss US\$ 7,033,960	N.A.
(e) Net aggregate amount of the subsidiary Company's Profit/Loss dealt within the Company's account.			
(i) For the subsidiary Company's financial period ended 30th Sept,2005	NIL	NIL	NIL
(ii) For the subsidiary Company's previous financial period since it became the holding Company's subsidiary	NIL	NIL	NIL
(f) Holding Company's interest as at 30.09.2005 incorporating changes since close of financial year/period of Subsidiary Company in pursuance of Section 212(5) of the Companies Act, 1956.	No change	No change	No change

**Savitri Devi Jindal**  
Chairperson

**P.R. Jindal**  
V. Chairman

**A.J.A. Tauro**  
**Dr. S.K. Gupta**  
**Kuldip Bhargava**  
Directors

**H.S. Chaudhary**  
Wholetime Director

Place : New Delhi  
Dated : 22nd November, 2005

**Sunil Jain**  
Company Secretary

**Neeraj Kumar**  
Director (Finance) & CFO

## Directors' Report

### HEXA SECURITIES & FINANCE CO. LTD.

Your Directors are pleased to present the 11th Annual Report together with the Audited Statement of Accounts for the year ended 30th September 2005.

#### 1. FINANCIAL RESULTS & DIVIDEND

During the year under report, the Company has earned income amounting to Rs. 209.56 lacs. However, due to accumulated losses of earlier years, the Directors do not recommend any dividend.

#### 2. AUDITOR'S REPORT

Auditor's remarks in their report read with the notes to accounts referred to by them are self-explanatory.

#### 3. AUDITORS

M/s Amod Agrawal & Co. auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### 4. DIRECTORS

Shri Arvind Kiran Aggarwal retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment

#### 5. 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: -

- (a) that in the preparation of the annual accounts for the financial year ended 30th September, 2005 the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- (b) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review.
- (c) that the Directors had 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.
- (d) that the Directors had prepared the accounts for the financial year ended 30th September, 2005 on a 'going concern' basis.

#### 6. AUDIT COMMITTEE

Your Company has an Audit Committee comprising of the following Directors:

- (i) Shri Ranjit Malik, (ii) Shri Arvind Kiran Aggarwal and (iii) Shri Raj Kamal Agarwal

#### 7. OTHER INFORMATION

There are no activities of the Company which required to be reported U/s 217(1)(e) of the Companies Act, 1956 regarding conservation of energy, technology, absorption etc. The Company did not earn any foreign exchange nor spent during the year under review. There is no employee in the Company whose particulars are required to be disclosed U/s 217(2A) of the Companies Act, 1956.

By order of the Board of Directors  
For **HEXA SECURITIES & FINANCE CO. LTD.**

**Raj Kamal Agarwal**  
**Ranjit Malik**  
Directors

Place: New Delhi  
Dated: 5th November, 2005

# Auditors' Report

## HEXA SECURITIES & FINANCE CO. LTD.

To

### The Members' of Hexa Securities & Finance Co. Limited

We have audited the attached Balance Sheet of HEXA SECURITIES & FINANCE CO. LIMITED as at 30th September, 2005 together with annexed Profit and Loss Account 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.

We report that-

- A) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order, so far as applicable to the Company.
- B) Further to our comments in Annexure referred to in paragraph (A) above, we also 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, the Company has kept proper books of accounts as required by law so far as appears from our examination of books.
  - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account of the Company.
  - (d) In Our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (e) Based on representation made by all the directors of the company to the Board and the information and explanations as made available to us by the company, none of the directors of the company is disqualified as on 30th September, 2005 from being appointed as director of the company as referred to in clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2005, and
- ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

Place: New Delhi  
Dated: 5th November, 2005

**Amod Agrawal**  
Prop.  
M.No. 90561  
For and on behalf of  
**AMOD AGRAWAL & CO.**  
Chartered Accountants

**ANNEXURE TO THE AUDITORS' REPORT****REFERRED TO IN PARAGRAPH (A) IN OUR REPORT OF EVEN DATE FOR THE YEAR ENDED 30.09.2005.**

1. The company does not have any fixed assets and hence, the question of verification thereof does not arise
2. a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4 (iii)(b) to (d) of the Order is not applicable.
- b) (i) The Company has taken unsecured interest free loan from its holding 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 holding company and the year end balance of such loan is Rs.1,245.99 lacs and Rs.863.99 lacs respectively.
- (ii) In our opinion and according to information and explanations given to us, the interest free demand loan with relevant terms and conditions on which loan has been taken are not, prima facie, prejudicial to the interest of the Company.
- (iii) In respect of the aforesaid loan, the amount (principal as well as interest) is repayable on demand, and the question of irregularity on payment does not arise.
- (iv) The aforesaid loan is repayable on demand and therefore the question of overdue amounts does not arise.
3. In our opinion and according to information and explanations given to us, the internal system with regard to purchase and sale of investments is adequate and commensurate with the size of the company and the nature of its business. There was no purchase and sale of inventories.
4. a) In our opinion and according to the information and explanations given to us, there are no particulars of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In our opinion and according to the information and explanations given to us, as there are no transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, paragraph 4(v) (b) of the order is not applicable.
5. The Company being a "Non Banking Financial Company", Section 58A of the Companies Act, 1956 is not applicable to the Company. During the year, the company did not accept any deposit from public falling under the purview of the Non Banking Financial Companies (Reserve Bank) directions, 1997 as also the Non Banking Financial Companies acceptance of public deposits (Reserve Bank) directions, 1998.
6. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
7. a) The company is regular in depositing with the appropriate authorities' undisputed statutory dues i.e. Income Tax etc. There is no arrears as at 30th September, 2005 for a period of more than six months from the date it become payable.
- b) According to the information and explanations given to us, there is no statutory dues of Income Tax which have not been deposited on account of any dispute.
8. The accumulated losses of the Company as at 30th September, 2005 is more than fifty per cent of its net worth. The Company has not incurred cash losses in the current financial year and the immediately preceding financial year.
9. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institutions. The Company has not taken any loan from banks and debenture holders.
10. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. According to the information and explanations given to us, the company has not given guarantee for loan taken by others from financial institutions, the terms and conditions of which are prima facie, not prejudicial to the interest of the company.
12. The Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares and other investments and that timely entry have been made therein. All shares and other securities have been held by the Company in its own name.
13. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short-term basis which have been used for long-term investment.
14. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
15. The company has not issued any debentures. Accordingly paragraph 4(xix) of the order is not applicable.
16. The Company has not raised any money by Public issue during the year. Accordingly paragraph 4(xx) of the order is not applicable.
17. During the course of our examination of the books and records of the Company, and according to the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**Amod Agrawal**  
Prop.

M.No. 90561

For and on behalf of  
**AMOD AGRAWAL & CO.**

Chartered Accountants

Place: New Delhi

Dated: 5th November, 2005

# Financial Statements

## BALANCE SHEET

### HEXA SECURITIES & FINANCE CO. LTD.

Description	Schedule	As At 30.09.2005 (Rs.)	As At 30.09.2004 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	A	255,000,000	255,000,000
Reserves & Surplus	B	4,191,000	-
<b>LOAN FUNDS</b>			
Unsecured Loans	C	625,399,315	646,970,806
<b>TOTAL</b>		<b>884,590,315</b>	901,970,806
<b>APPLICATION OF FUNDS</b>			
Investments	D	609,766,658	611,166,612
<b>Current Assets , Loans &amp; Advances</b>			
Cash and Bank Balances	E	131,422	77,742
Loans and Advances	F	60,569,248	43,075,935
		<b>60,700,670</b>	43,153,677
<b>Current Liabilities &amp; Provisions</b>			
Current Liabilities	G	18,009,297	1,094,175
Provisions	H	-	152,980
		<b>18,009,297</b>	1,247,155
<b>Net Current Assets</b>		<b>42,691,373</b>	41,906,522
<b>Profit and Loss Account</b>		<b>232,132,284</b>	248,897,672
<b>Total</b>		<b>884,590,315</b>	901,970,806
Notes to the Accounts	I		

Place: New Delhi  
Dated: 5th November, 2005

**Raj Kamal Agarwal**  
**Ranjit Malik**  
Directors

As per our Report of even date attached  
**Amod Agrawal**  
Prop.  
M.No. 90561  
For and on behalf of  
**AMOD AGRAWAL & CO.**  
Chartered Accountants

**PROFIT AND LOSS ACCOUNT****HEXA SECURITIES & FINANCE CO. LTD.**

Description	Schedule	For the Year 2004-2005 (Rs.)	For the Year 2003-2004 (Rs.)
<b>INCOME</b>			
Dividend Received		26,685,443	11,058,581
Profit / Loss on sale of Long Term Investments		8,658,892	30,765,242
Interest Received		7,848,772	6,124,369
Interest 10 % OCD		8,907,634	2,966,667
<b>Total</b>		<b>52,100,741</b>	50,914,859
<b>EXPENDITURE</b>			
Registration & Filing Fee		3,102	3,000
Legal & Professional Exp		36,520	134,867
Bank Interest & Finance Charges		4,154	33,004
Interest on Intercompany Loan		31,681,949	11,372,078
Miscellaneous Expenses		1,385	1,668
Preliminary Expenses Written Off		-	59,476
Audit Fee		14,877	12,673
<b>Total</b>		<b>31,741,987</b>	11,616,766
Profit / (Loss) Before Tax		20,358,754	39,298,093
<b>Less : Provision For Taxation</b>		<b>(13,000)</b>	(2,215,000)
: Previous Year Tax Adjustments		610,634	-
Profit(Loss) After Tax		20,956,388	37,083,093
<b>Less : Transfer to Statutory Reserve</b>		<b>(4,191,000)</b>	-
<b>Less : Previous Year's Loss Brought Forward</b>		<b>(248,897,672)</b>	(285,980,765)
<b>(Loss) Carried To Balance Sheet</b>		<b>(232,132,284)</b>	(248,897,672)

Notes to the Accounts

I

As per our Report of even date attached

**Amod Agrawal**

Prop.

M.No. 90561

For and on behalf of

**AMOD AGRAWAL & CO.**

Chartered Accountants

Place: New Delhi

Dated: 5th November, 2005

**Raj Kamal Agarwal****Ranjit Malik**

Directors

# Financial Statements

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### HEXA SECURITIES & FINANCE CO. LTD.

Description	As At 30.09.2005 (Rs.)	As At 30.09.2004 (Rs.)
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
Authorised		
26000000 Equity Shares of Rs. 10\ - each	<b>260,000,000</b>	260,000,000
<b>Issued Subscribed &amp; Paid Up</b>		
25500000 equity shares of Rs. 10\ - each fully paid up	<b>255,000,000</b>	255,000,000
	<b>255,000,000</b>	255,000,000
<b>SCHEDULE-B</b>		
Reserves & Surplus		
<b>Statutory Reserve</b>	<b>4,191,000</b>	-
	<b>4,191,000</b>	-
<b>SCHEDULE-C</b>		
<b>UNSECURED LOANS</b>		
Long Term Loans	<b>200,000,000</b>	200,000,000
Loan from Holding Company	<b>86,399,315</b>	96,389,315
Inter Corporate Loans	<b>339,000,000</b>	350,581,491
	<b>625,399,315</b>	646,970,806

**SCHEDULE - D**  
**LONG TERM INVESTMENTS IN SHARES (AT COST) TRADE**

Particulars	Face Value	As At 30.09.2005		As At 30.09.2004	
		No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
<b>Quoted</b>					
JSW Steel Ltd. ***	10/-	* 1455098	332,594,000	33,259,400	332,594,000
JSW Steel Ltd (Warrants) ***		** 296959	-	-	-
Nalwa Sons Investments Ltd. ****	10/-	125,729	30,352,042	125,729	30,352,042
Jindal Stainless Ltd.	2/-	2,315,800	81,458,829	2,315,800	81,458,829
Jindal Steel & Power Ltd .	5/-	617,548	74,540,741	617,548	74,540,741
Canara Bank	-	-	-	40,600	1,421,000
The Associated Cement Companies, Ltd.	10/-	2	698	-	-
Dr Reddy's Laboratories Ltd.	5/-	2	1,729	-	-
Electrosteel Castings Ltd.	10/-	2	695	-	-
Gujrat Ambuja Cement Ltd.	2/-	15	837	-	-
Hindustan Lever Ltd.	1/-	2	297	-	-
Infosys Technologies Ltd.	5/-	2	4,223	-	-
Maharashtra Seamless Ltd.	10/-	2	643	-	-
Maruti Udyog Ltd.	5/-	2	946	-	-
Man Industries Ltd	10/-	2	181	-	-
ONGC Ltd.	10/-	2	1,684	-	-
PSL Holdings Ltd.	10/-	2	323	-	-
Ranbaxy Laboratories Ltd.	5/-	4	2,510	-	-
Reliance Energy Ltd.	10/-	2	1,130	-	-
Reliance Industries Ltd.	10/-	2	1,079	-	-
Satyam Computer Services Ltd.	2/-	2	839	-	-
State Bank of India	10/-	2	1,313	-	-
The Tata Iron & Steel Co. Ltd.	10/-	2	780	-	-
Tata Motors Ltd.	10/-	2	1,056	-	-
Welspun Gujarat Stahl Rohron Ltd.	5/-	2	83	-	-
<b>TOTAL</b>			<b>518,966,658</b>		<b>520,366,612</b>
<b>Unquoted</b>					
Lord Krishna Bank Ltd.	10/-	150,000	1,800,000	150,000	1,800,000
<b>TOTAL</b>			<b>1,800,000</b>		<b>1,800,000</b>
<b>OCD (Optionally Convertible Debentures)</b>					
<b>Unquoted</b>					
10% OCD Jindal Transworld P. Ltd	100/-	890,000	89,000,000		89,000,000
			<b>89,000,000</b>		<b>89,000,000</b>
<b>GRAND TOTAL</b>			<b>609,766,658</b>		<b>611,166,612</b>
Aggregate Market Value of Quoted Investment			<b>1,738,523,548</b>		<b>991,161,791</b>
Aggregate Value of Quoted Investments			<b>518,966,658</b>		<b>520,366,612</b>

## Notes

\*Pursuant to scheme of Arrangement & Amalgamation between Jindal Vijaynagar Steel Ltd. and Jindal Iron & Steel Co. Ltd., 4.375 equity shares of Jindal Vijaynagar Steel Ltd. were allotted for every 100 equity shares of Jindal Vijaynagar Steel Ltd.

\*\*Pursuant to scheme of Arrangement & Amalgamation between Jindal Vijaynagar Steel Ltd. and Jindal Iron & Steel Co. Ltd., one Warrant of JVSL were allotted for every 112 equity shares of JVSL.

\*\*\* Name of the company has been changed from Jindal Vijaynagar Steel Ltd. To Jindal South West Steel Ltd.

\*\*\*\* Name of the company has been changed from Jindal Strips Ltd. To Nalwa Sons investments Ltd.

# Financial Statements

## SCHEDULE FORMING PART OF THE BALANCE SHEET

### HEXA SECURITIES & FINANCE CO. LTD.

Description	As At 31.09.2005 (Rs.)	As At 31.09.2004 (Rs.)
<b>SCHEDULE - E</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	8,486	16,513
Balance with Scheduled Bank in Current Account	122,936	61,229
	<b>131,422</b>	<b>77,742</b>
<b>SCHEDULE - F</b>		
<b>LOANS AND ADVANCES</b>		
Advance recoverable in cash or in kind or for value to be received considered good	5,166,278	4,922,275
Interest Receivable	10,324,429	-
Prepaid Taxes (Net of Provision)	3,187,943	-
Inter Corporate Deposits	41,890,598	38,153,660
	<b>60,569,248</b>	<b>43,075,935</b>
<b>SCHEDULE - G</b>		
<b>CURRENT LIABILITIES</b>		
Interest accrued but not due	17,794,711	47,806
T.D.S Payable	187,036	1,033,696
Audit Fee Payable	27,550	12,673
	<b>18,009,297</b>	<b>1,094,175</b>
<b>SCHEDULE - H</b>		
<b>PROVISIONS</b>		
Provision for Tax (Net of Prepaid Taxes)	-	152,980
	-	152,980

### SCHEDULE - I

#### NOTES TO THE ACCOUNTS

##### 1. Accounting Policies

###### a) General

Accounting Policies not specifically referred to are in consonance with generally accepted accounting principles.

###### b) Basis of Accounting

All income and expenditure have been accounted for on accrual basis.

###### c) Investments

Long Term Investment has been stated at cost.

2. All investments held by the Company has been shown as long term investment as in the opinion of the management the same is held for long term purposes. Any fall in the Market Value of long-term investment has not been provided since in the opinion of management such fall is temporary in nature.

3. Schedules 'A' to 'I' are annexed to and form an integral part of the Balance Sheet and Profit and Loss Account. The Company has given an undertaking to Financial Institutions for loan taken by Jindal South West Steel Limited (Formely Jindal Vijaynagar Steel Limited) not to dispose off the investment in JSWSL till repayment of loan by JSWSL.

Signature to Schedule 'A' To 'I'  
As per our Report of even date attached

**Amod Agrawal**

Prop.

M.No. 90561

For and on behalf of  
**AMOD AGRAWAL & CO.**  
Chartered Accountants

Place: New Delhi  
Dated: 5th November, 2005

**Raj Kamal Agarwal**  
**Ranjit Malik**  
Directors

## BALANCE SHEET ABSTRACT AND COMPANIES BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### HEXA SECURITIES & FINANCE CO. LTD.

I	Registration No.	62930	State Code	55
	Balance Sheet Date	30.09.2005		
II	Capital raised during the year	(Rs. in thousands)		
	Public issue	Nil		
	Bonus Issue	Nil		
	Rights Issue	Nil		
	Private placement	Nil		
III	Position of mobilisation and deployment of funds (Rs. in thousands)			
	Total liabilities	884,590	Total assets	884,590
	Sources of Funds:			
	Paid up Capital	255,000	Reserves and Surplus	4,191
	Secured loan	–	Un-secured loans	625,399
	Application of funds:			
	Net fixed assets	–	Investments	609,767
	Net current assets	42,691	Misc.Expenditure	–
	Accumulated losses	232,132		
IV	Performance of the company (Rs.in thousands)			
	Gross Turnover	52,101	Total expenditure	31,742
	Net Turnover	52,101		
	Profit before tax	20,359	Profit after tax	20,956
	Earning per share (Rs)- Equity	0.82		
	Dividend rate	Nil		
V	Generic name of three principal products of the Company			
	Product description		Item Code No	
	NA		NA	

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# Independent Auditors' Report

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## **JINDAL ENTERPRISES, LLC**

d.b.a. Jindal Stainless Corporation

Baytown, Texas

We have audited the accompanying balance sheets of Jindal Enterprises, LLC. d. b.a Jindal Stainless Corporation as of June 30, 2005 and 2004, and the related statements of income, changes in members equity, and cash flows for the years then ended. 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 the United States. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jindal Enterprises, LLC., d.b.a. Jindal Stainless Corporation as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Null - Lairson P.C. CPA's**

August 26, 2005

Houston, Texas

## Financial Statements

### BALANCE SHEET

As of June 30, 2005 and 2004

#### JINDAL ENTERPRISES, LLC

ASSETS	2005		2004	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
<b>Current</b>				
Cash and cash equivalents	36,158	15.74	345,633	159.06
Accounts Receivable:				-
Trade	35,257	15.35	35,324	16.26
Allowance for doubtful accounts	(33,127)	(14.42)	(33,127)	(15.25)
Receivables from and advances to related parties	363,834	158.39	220,524	101.49
Interest receivable from related companies	1,144,085	498.05	908,069	417.89
Other receivables	43,685	19.02	33,624	15.47
Prepaid expenses and other	286,000	124.50	36,000	16.57
<b>Total current assets</b>	<b>1,875,892</b>	<b>816.62</b>	<b>1,546,047</b>	<b>711.49</b>
<b>Property and equipment</b>	<b>6,902,236</b>	<b>3,004.72</b>	<b>6,903,351</b>	<b>3,176.92</b>
Accumulated depreciation	(967,371)	(421.12)	(740,371)	(340.72)
<b>Total property and equipment</b>	<b>5,934,865</b>	<b>2,583.60</b>	<b>6,162,980</b>	<b>2,836.20</b>
<b>Other Assets</b>				
Notes receivable - U.S Denro Steels, Inc	21,565,184	9,387.86	18,765,184	8,635.74
Notes receivable from related company	1,300,000	565.92	1,300,000	598.26
<b>Total other assets</b>	<b>22,865,184</b>	<b>9,953.79</b>	<b>20,065,184</b>	<b>9,234.00</b>
<b>Total assets</b>	<b>30,675,941</b>	<b>13,354.00</b>	<b>27,774,211</b>	<b>12,781.69</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable	1,640,721	714.25	1,710,904	787.36
Accrued liabilities and other accruals	4,842	2.11	3,714	1.71
Interest payable others	39,079	17.01	88,100	40.54
Interest payable to related party	1,274,559	554.85	947,738	436.15
Payable to and advances from related parties	1,214,075	528.52	1,214,075	558.72
Payables to U.S Denro Steels, Inc	1,044,992	454.91	983,560	452.63
Current portion of long-term debt	9,600,000	4,179.12	4,050,000	1,863.81
<b>Total current liabilities</b>	<b>14,818,268</b>	<b>6,450.76</b>	<b>8,998,091</b>	<b>4,140.92</b>
<b>Long-term debt, net of current portions:</b>				
Notes payable to financial institutions	12,950,000	5,637.46	15,350,000	7,064.07
Long term advances from U.S Denro Steels, Inc	2,164,421	942.23	2,164,095	995.92
Notes payable to related parties	7,522,264	3,274.63	7,295,985	3,357.61
<b>Total long-term debt</b>	<b>22,636,685</b>	<b>9,854.31</b>	<b>24,810,080</b>	<b>11,417.60</b>
<b>Total liabilities</b>	<b>37,454,953</b>	<b>16,305.08</b>	<b>33,808,171</b>	<b>15,558.52</b>
<b>MEMBER'S EQUITY</b>				
Stated Capital	1,000,000	435.33	1,000,000	460.20
Retained Deficit	(7779012)	(3386.40)	(7,033,960)	(3237.03)
<b>Total member's equity</b>	<b>(6779012)</b>	<b>(2951.07)</b>	<b>(6,033,960)</b>	<b>(2776.83)</b>
<b>Total liabilities and member's equity</b>	<b>30,675,941</b>	<b>13,354.00</b>	<b>27,774,211</b>	<b>12,781.69</b>

See Notes to Financial Statements.

# Financial Statements

## STATEMENT OF INCOME

For the year ended June 30, 2005 and 2004

### JINDAL ENTERPRISES, LLC

	2005		2004	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Net Sales	51090	22.24	151671	69.80
Cost of Sales	28060	12.22	298174	137.22
Gross Profit	23030	10.03	(146503)	(67.42)
Selling, General, and Administrative Expenses	496042	215.94	788981	363.09
<b>Operating Income</b>	<b>(473012)</b>	<b>(205.91)</b>	<b>(935484)</b>	<b>(430.51)</b>
Other Income (Expenses)				-
Interest income	1121871	488.38	1094537	503.71
Miscellaneous income	-	-	67972	31.28
Interest expenses	(1393911)	(606.80)	(821401)	(378.01)
Total Other Income (Expenses), net	(272040)	(118.43)	341108	156.98
<b>Income Before income Taxes</b>	<b>(745052)</b>	<b>(324.34)</b>	<b>(594376)</b>	<b>(273.53)</b>
Income Tax expenses (Note 6)	-	-	-	-
<b>Net Income/(Loss)</b>	<b>(745052)</b>	<b>(324.34)</b>	<b>(594376)</b>	<b>(273.53)</b>

## STATEMENT OF CHANGES IN MEMBER' S EQUITY

	Member's stated Capital		Retained Earnings		Total Member's Equity	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs	US \$	Rs. in Lacs
<b>Balance at June 30, 2003</b>	1,000,000	460.20	(6,439,584)	(2,963.50)	(5,439,584)	(2,503.30)
Net Income / (Loss)			(594,376)	(273.53)	(594,376)	(273.53)
<b>Balance at June 30, 2004</b>	1,000,000	460.20	(7,033,960)	(3237.03)	(6,033,960)	(2776.83)
Net Loss			(745,052)		(745,052)	
<b>Balance at June 30, 2005</b>	1,000,000	435.33	(7,779,012)	(3,386.40)	(6,779,012)	(2,951.07)

See Notes to Financial Statements.

**STATEMENTS OF CASH FLOW****JINDAL ENTERPRISES, LLC**

	2005		2004	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
<b>Cash Flows From Operating Activities:</b>				
Net income	(745,052)	(324.34)	(594376)	(273.53)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	227,000	98.82	230215	105.95
Allowance for doubtful accounts				
Changes in operating assets and liabilities:				
Accounts receivable:				
Trade	67	0.03	199929	92.01
Related parties	(379,326)	(165.13)	(667641)	(307.24)
Notes receivables	-	-		
Inventories	-	-	9802	4.51
Prepaid expenses and other	(259,247)	(112.86)	62671	28.84
Increase in accounts payable	(70,183)	(30.55)	(135764)	(62.48)
Increase in accrued liabilities	1,128	0.49	(156205)	(71.89)
Increase in accounts payable to affiliate	615,159	267.79	1965371	904.47
Increase in deposits		-		
Increase in interest payable	(49,021)	(21.34)	88100	40.54
<b>Net cash provided (used) by operating activities</b>	<b>(659,475)</b>	<b>(287.09)</b>	1002102	461.17
<b>Cash Flows From Investing Activities:</b>				
Capital expenditures	-	-	(1686)	(0.78)
<b>Net cash used in investing activities</b>	-	-	(1686)	(0.78)
<b>Cash Flows From Financing Activities:</b>				
Net proceeds from loans from financial institutions	14,000,000	6,094.55		
Proceeds from borrowings related parties	(2,800,000)	(1,218.91)		
Payments on notes payable to financial institutions	(10,850,000)	(4,723.28)	(2900000)	(1334.58)
Payments received on notes receivable			2100000	966.42
Payments on advances/notes payable to related parties				
<b>Net cash used in Financing activities</b>	<b>350,000</b>	<b>152.36</b>	(800000)	(368.16)
Net increase (decrease) in cash and cash equivalents	(309,475)	(134.72)	200416	92.23
Cash and cash equivalents at beginning of year	345,633	150.46	145217	66.83
<b>Cash and cash equivalents at end of year</b>	<b>36,158</b>	<b>15.74</b>	345633	159.06
Supplemental Cash Flow Information:				
Interest paid	806,477	351.08	506026	232.87

See Notes to Financial Statements.

# Financial Statements

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005 and 2004

### JINDAL ENTERPRISES, LLC

#### NOTE 1 – ORGANIZATION

##### Organization and Operations

Jindal Enterprises, LLC, d.b.a. Jindal Stainless Corporation (“the Company”) is a Texas Limited Liability Company which was organized in October 1997. The Company is a single member LLC which is 100 percent owned by Jindal SAW Limited of India. The Company as of June 30, 2005 and 2004 owned 49 percent, of U.S Denro Steels, Inc. d.b.a. Jindal United Steel Corporation (US Denro Steels, Inc.). The Company operates a stainless steel processing facility and U.S Denro Steels, Inc. operates a steel plate manufacturing facility located in Baytown, Texas. While the Company manufactures steel plate for use by various industries, a significant amount of sales of U.S. Denro Steels, Inc are made to an affiliated pipe mill located adjacent to the Company’s facilities. The affiliated pipe mill owns 29 percent of US Denro Steels, Inc.

The Company engages in business activities which involve various risks, and the company’s futures success is dependent upon a number of factors which include, among others, generating sufficient revenues, the market demand and price for the Company’s products, the price of raw materials and obtaining the necessary funds. The Company is dependent upon support from its parent Company and related group Companies for continuing operations.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under accounting principles generally accepted in the United States of America. The following notes describe the significant accounting policies.

##### Investments Recorded on Equity Basis

US Denro Steels, Inc. d.b.a Jindal United Steel Corporation is recorded as an investment on the balance sheet. The percentage of income or loss increases or decreases the investment in U.S Denro Steels, Inc. investment account on the Company’s books. No inter company transactions have been eliminated in the financial statements.

The investment in U.S Denro Steels, Inc. has been reduced to zero on the balance sheet based on the Company’s share of US Denro Steels, Inc’s loss. However, due to the fact that the Jindal Enterprises LLC is not liable for the debts of US Denro Steels, Inc. the investment is not reduced below zero. When the equity interest in US Denro Steels, Inc. is positive, then the Company will again record the investment in US Denro Steels, Inc.

##### Revenue Recognition

Revenue is recognized generally when the product is shipped to the customer. The revenue from the sale of goods is recognized when the following has been satisfied:

1. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
2. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
3. the amount of revenue can be measured reliably;
4. it is probable that the economic benefits associated with the transaction will flow to the Company, and ;
5. the costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

##### Property, equipment, and depreciation

Property and equipment are stated at cost. Except for machinery and equipment used in production, depreciation is calculated over the estimated useful lives of the assets using the straight- line method. The Company uses straight line depreciation method for machinery and equipment in manufacturing and processing operations and for certain other manufacturing equipment. Expenditures for renewals and improvements are capitalized; repairs and maintenance are charged to expense as incurred.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Based on periodic assessments of the realizability of its long-term assets and the analysis of undiscounted future cash flows for its long-term assets, no impairment of long-term asset needs to be recognized by the Company.

### Federal Income Taxes

The Company has elected to be taxed as a Corporation under the federal tax laws. The Company records Income taxes pursuant to the liability method. Deferred tax assets and liabilities are recorded based upon differences between the financial statement and tax bases of assets and liabilities and the available tax carry forwards. A deferred tax valuation allowance is recorded to state deferred tax assets at the estimated net realizable value.

### Allowance for Doubtful Accounts

Bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non-payment due to product claims by customers.

### Inventories

Inventories are valued at the lower of cost or market, with cost determined using the first-in, first out (FIFO) methods.

### Advertising Costs

Advertising costs are expensed when incurred.

### Fair Value of Financial Instruments

The Company considers the fair value of all financial instruments to not be materially different from their carrying values at June 30, 2005 and 2004, based on management's estimate of the Company's ability to borrow funds under terms and conditions similar to those applicable to the Company's existing debt.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions which may at times be in excess of federally insured levels. The Company has not incurred losses related to these balances to date. The company has Concentrations of credit risk with respect to accounts receivable. Although the Company does not currently foresee credit risk associated with these receivables, repayment is dependent upon the financial stability of those entities.

### NOTE 3 – INVENTORIES

The Company did not have any inventory on hand as of June 30, 2005 and 2004.

### NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

At June 30, 2005 and 2004, property, plant and equipment consisted of the following:

	Balance June, 30, 2004		Additions		Adjustments Retirements		Balance June 30, 2005		Estimated Useful Lives (Years)
	USD	Rs.in lacs	USD	Rs.in Lacs	USD	Rs.in lacs	USD	Rs. In lacs	
Machinery and equipment	6,903,351	3,005.20			(1,115)	(0.49)	6,902,236	3,004.72	30
Total property and equipment	6,903,351	3,005.20			(1,115)	(0.49)	6,902,236	3,004.72	
Less Accumulated Depreciation	(740,371)	(322.30)	(227,000)	(98.82)	-	-	(967,371)	(421.12)	
Net Property and equipment	6,162,980	2,682.90	(227,000)	(98.82)	(1,115)	(0.49)	(5,934,865)	(2,583.60)	

Depreciation expense was USD 227,000 (Rs.98.82 lacs) and USD 230,215 (Rs. 105.94 lacs) for the years ended June 30, 2005 and 2004, respectively.

# Financial Statements

## NOTE 5 – DEBT

At June 30, 2005 and 2004 debt consisted of borrowings on a credit agreement facility from banks, debt owed to a related Company, and long term advances from U.S. Denro Steels, Inc.

The Company's debt is further described below.

### Notes Payable to Banks

As of June 30, 2004, the Company had a \$6.80 million (Rs. 3129.36 Lacs) loan through Standard Chartered Bank of Bahrain. The Note was secured by the Company's equipment and guaranteed by Jindal Saw Ltd. India. The Note had interest due quarterly at the LIBOR rate plus 0.25%. The \$6.8 million refinanced by the Company through a new loan in August 2004.

As of June 30, 2005, The Company has a loan of 8.55 (Rs. 3722.03 lacs) million from the Bank of India. The loan carries interest at 2.0 percent over 3 month Libor with payments through June 30, 2007. The loan is secured by a secured interest in inventory and equipment and a guarantee from Jindal Saw Ltd. India.

In August 2004, the company obtained a term loan from ICICI Bank UK Limited for \$10,000,000 (Rs. 4,353.25 lacs) \$ 6.8 million of the loan proceeds was used to pay the remaining balance on the Standard Chartered Bank note. The balance of proceeds of the loan will be used for working capital. Under the terms of the agreement the first note payment of \$1.25 million would be due February 2006 and payment of \$1.25 million due every six months until the note is paid in full. The interest rate is 125 basis points per annum over LIBOR.

In June 2005, the company obtained a \$4.0 (Rs. 1,741.30 lacs) million term loan from Barclays Bank PL. The loan is due in December 2005. The Loan is guaranteed by Jindal Saw Limited, India. The interest rate per annum is 2 percent over LIBOR.

The notes payable as of June 30, 2005 and 2004 consisted of the following:

	2005		2004	
	USD	Rs.in lacs	USD	Rs.in lacs
Note payable to Standard Chartered Bank			6,800,000	3,129.36
Notes payable to ICICI Bank UK	<b>10,000,000</b>	<b>4,353.25</b>		
Notes payable to Barclays bank PL	<b>4,000,000</b>	<b>1,741.30</b>		
Note payable to Bank of India	<b>8,550,000</b>	<b>3,722.03</b>	12,600,000	5,798.52
Total Debt	<b>22,550,000</b>	<b>9,816.58</b>	19,400,000	8,927.88
Less - current portion	<b>(9,600,000)</b>	<b>(4,179.12)</b>	(4,050,000)	(1,863.81)
Long term debt, net of current portion	<b>12,950,000</b>	<b>5,637.46</b>	15,350,000	7,064.07

### Notes Payable and Long-Term Advances due to Related Parties

The Company has borrowed \$6.6 million (Rs. 2,873.15 lacs) from a related company. The note is currently classified as long term debt and does not have a due date. The Interest is being accumulated at 2.5 percent simple interest per annum. The interest payable on this loan was \$1,274,559 (Rs.554.85 lacs) and \$947,738 (Rs. 436.15 lacs) as of June 30, 2005 and 2004 respectively. As of June 30, 2005 and 2004, the Company has a long-term advance from US Denro Steels, Inc. of \$2,164,095 (Rs.942.08 lacs) for both years. The Notes Payable to Related Parties at June 30, 2005 and 2004 was comprised of the following:

	2005		2004	
	USD	Rs.in lacs	USD	Rs.in lacs
Notes payable to related parties:				
Notes payable to related party	<b>6,600,000</b>	<b>2,873.15</b>	6,600,000	3,037.32
Long term advances from related party	<b>922,264</b>	<b>401.48</b>	695,985	320.29
Long term advances from US Denro Steel Inc.	<b>2,164,421</b>	<b>942.23</b>	2,164,095	995.92
Total Debt	<b>9,686,685</b>	<b>4,216.86</b>	9,460,080	4,353.53
Less - current portion				
Long term debt, net of current portion	<b>9,686,685</b>	<b>4,216.86</b>	9,460,080	4,353.53

Long term advances to related party represents amounts the company owes to a related party in India for guarantee fee, and bank charges paid by the related party on various loans. The \$ 922,264 has been classified as a long-term liability.

### Future Payments on Debt

Future payments for debt outstanding at June 30, 2005, are due as follows:

Fiscal year ending June 30	Barckay's Bank PL		Bank of India		ICICI Bank UK		Others		Total	
	USD (Million)	Rs. In Lacs	USD (Million)	Rs. In Lacs	USD (Million)	Rs. In Lacs	USD (Million)	Rs. In Lacs	USD (Million)	Rs. In Lacs
2006	4.00	1,741.30	4.35	1,893.66	1.25	544.16			9.60	4,179.12
2007			4.20	1,828.37	2.50	1,088.31			6.70	2,916.68
2008					2.50	1,088.31			2.50	1,088.31
2009					2.50	1,088.31			2.50	1,088.31
2010					1.25	544.16			1.25	544.16
Thereafter							9.69	4,216.86	9.69	4,216.86
<b>TOTAL</b>	<b>4.00</b>	<b>1,741.30</b>	<b>8.55</b>	<b>3,722.03</b>	<b>10.00</b>	<b>4,353.25</b>	<b>9.69</b>	<b>4,216.86</b>	<b>32.24</b>	<b>14,033.44</b>

### NOTE 6 – INCOME TAXES:

The Company has elected to file as a Corporation for federal tax purposes. The Company's deferred tax liabilities, deferred tax assets and deferred tax asset valuation allowances at December 31, 2005 and 2004 is as follows

	2005		2004	
	USD	Rs.in lacs	USD	Rs.in lacs
<b>Deferred tax assets/benefits related to:</b>				
Net operating loss carry forward	1,339,668	583.19	1,140,295	524.76
Book Depreciation over Tax Expense	53,058	23.10	36,530	16.81
Allowance for doubtful accounts	10,932	4.76	10,932	5.03
Interest not currently deductible	420,604	183.10	312,754	143.93
Total Deferred Tax assets/benefits	1,813,330	789.39	1,489,579	685.50
Deferred tax liability related to:				
Interest Income related party	377,548	164.36	299,663	137.90
Total Deferred tax liability	377,548	164.36	299,663	137.90
Less- Deferred tax valuation allowance	(1,435,782)	(625.03)	(1,189,916)	(547.60)
Net Deferred assets/benefits (liability)				

For financial reporting purposes, the deferred tax valuation allowance was established to fully reserve the Company's net deferred tax assets due to its history of losses. No tax provisions were made for current taxes for the fiscal year ended June 30, 2005 and 2004.

At June 30, 2005, the Company had net operating loss carry forwards of approximately \$4.0 million ( Rs.1,741.30 lacs )for federal and state income tax purposes which expires various dates through 2025. Current federal income tax regulations with respect to changes in ownership could limit the utilization of the Company's net operating loss carry forward. Utilization of the net operating loss carry forward is dependent upon the Company making taxable income in future years.

### NOTE 7 – RELATED PARTY TRANSACTIONS :

The Company has advances from US Denro Steels, Inc. of \$2,164,095 (Rs. 942.08 lacs) included in notes payable to related parties. The Company owes US Denro Steels, Inc. \$1,044,993 (Rs. 454.91 lacs) and \$968,715 (Rs.445.80 lacs) for operating expenses and processing charges as of June 30, 2005 and 2004, respectively.

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## Financial Statements

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The Company has payables and advances from other related group Companies of \$1,214,075 (Rs. 528.52 lacs )and \$1,214,075 (Rs. 558.72 lacs) as of June 30, 2005 and 2004, respectively.

The Company for the years ended June 30, 2005 and 2004 had a long term advance of \$6.6 million ( Rs. 2,873.15 lacs) from a related group Company. The interest accrued during the year ended June 30, 2005 on the loan amounts was \$326,820 (Rs. 142.27 lacs). Total interest due to this related group Company was \$1,274,559 (Rs. 554.85 lacs) and \$947,738 (Rs. 436.15 lacs) as of June 30, 2005 and 2004. Long term advances from a related company of \$922,264 (Rs. 401.48 lacs) and \$695,985 (Rs. 320.29 lacs) for the years ended June 30, 2005 and 2004, respectively.

The Company has a notes receivable from US Denro Steels, Inc. for \$21,565,184 (Rs. 9,387.86 lacs) and \$18,765,184 (Rs. 8,635.74 lacs) as of June 30, 2005 and 2004, respectively. During the year ending June 30, 2004, US Denro Steels, Inc. repaid 2.1 million of the loan amounts to Jindal Enterprises. During 2005, the company loaned an additional \$2.8 (Rs. 1,218.91 lacs) million to US Denro for operations. The Company recorded interest income of \$1,052,398 (Rs. 458.14 lacs) and \$1,032,009 (Rs. 474.93 lacs) on the note receivable due from US Denro for the years ending June 30, 2005 and 2004, respectively. As of June 30, 2005 and 2004 US Denro owed the company \$1,144,085 (Rs. 498.05 lacs) and \$908,069 (Rs. 417.89 lacs) respectively, in accrued interest.

The Company has a notes receivable, due June 30, 2007, from a related company for \$1.3 million (Rs. 565.92 lacs) as the balance due in consideration for the sale of US Denro Steels, Inc. stock in prior years. Interest receivable of \$181,350 (Rs.78.95 lacs) has been accrued on the note.

The Company also leases building space including utilities from US Denro Steels, Inc. Total rental expense was \$5000 (Rs. 2.18 lacs) and \$60,000 (Rs. 27.61 lacs) for the year ended June 30, 2005 and 2004.

*Note: Indian Rupee equivalent of figures have been arrived at by applying the year end interbank exchange rates US\$ 1= Rs. 43.5325 (Previous year US\$ 1= Rs. 46.02) and do not form part of the reports of Jindal Enterprises, LLC as made out in accordance with the Laws of the country of incorporation.*

## Directors' Report

### IUP JINDAL METALS & ALLOYS LIMITED

To  
The Members

Your Directors are pleased to present the 1st Report, together with Audited Statement of Accounts of the Company for the period from 9th August, 2004 to 31st March, 2005.

#### 1. FINANCIAL RESULTS

Since the project is under implementation stage and commercial production is yet to commence, no Profit and Loss account has been prepared for the period ended 31st March 2005.

#### 2. REVIEW OF OPERATIONS

Your Company was incorporated on 9th August 2004 as per Certificate of Incorporation issued by Registrar of Companies NCT of Delhi & Haryana under the Companies Act and obtained the Certificate for Commencement of Business on 15th September 2004. The Company is a Joint Venture ("JV") between M/s Jindal Saw Limited (formerly M/s Saw Pipes Limited), a PR Jindal Group Company and a leader of the precision cold rolled stainless steel industry in India and M/s Imphy UGINE Precision, France, active in the stainless steel and nickel alloys precision strip business and part of Arcelor Group, the world's largest steel conglomerate with annual turnover of Euro 30 billion. This JV is in the ratio of 73:27 between M/s Jindal Saw Limited & M/s Imphy UGINE Precision respectively.

Seeing a huge potential of business development in the SAARC Countries in the field of higher value added material, including precision Stainless and nickel alloys, both the JV partners have agreed to set up a modern plant at Bahadurgarh, near New Delhi, India which will develop relevant skills and become a cost effective facility for cold rolling and finishing activities and use this advantage to develop export sales especially in South and South East Asia. This project is under implementation stage and the Company expects to start its commercial production during the financial year 2005-06.

#### 3. DIVIDEND

Since the project is under implementation stage and commercial production is yet to commence, thus no dividend has been declared.

#### 4. CHANGE OF NAME

In order to reflect the basic business & future prospects in which your Company be engaged, the name of your Company was changed from IUP Jindal Hexa Metals Limited to IUP Jindal Metals & Alloys Limited w.e.f. 25th February 2005 as per fresh Certificate of Incorporation issued by Registrar of Companies NCT of Delhi & Haryana.

#### 5. 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 by the Board of Directors.

- a) that in the preparation of the accounts for the period from 9th August 2004 to 31st March 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 under review;
- c) that the Directors had 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) that the Directors had prepared the accounts for the period from 9th August 2004 to 31st March 2005 on a going concern basis.

#### 6. DIRECTORS

As per Article 45 of the Memorandum of Association of the Company, Mr. P. R. Jindal, Ms. Sminu Jindal and Indresh Batra are the first Directors of the Company.

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## Directors' Report

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During the period ended 31st March 2005, Mr. Francis Vassort and Mr. Raju Shyam Tolani were appointed as Directors of the Company as nominee of Imphy Ugin Precision, France and Dr. Mahendra Malu was appointed as Director of the Company as nominee of Jindal Saw Limited in the Board meeting of the Company held on 12th August 2004. .

### **7. AUDITORS & THEIR REPORT**

M/s RSM & Co., Chartered Accountants, Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and, being eligible offer themselves for re-appointment. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

### **8. PARTICULARS REGARDING CONSERVATION OF ENERGY, ETC.**

Information in accordance with the provision of Section 217(1)(e) of Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the statement annexed hereto.

### **9. PERSONNEL**

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 NIL as no employee was in receipt of remuneration in excess of the limits as set out under the said section.

### **10. ACKNOWLEDGEMENT**

The board of Directors is grateful to concerned Departments of Central and State Governments and Company's Bankers for their timely help and co-operation. The Directors also wish to place on record their appreciation for the contribution made by the employees of the Company at all levels in the efficient & smooth operation of the Company.

For and on behalf of the Board

Place : New Delhi  
Date : 7th July, 2005

Chairman

**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE 1**

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

**CONSERVATION OF ENERGY:****(a) ENERGY CONSERVATION MEASURES TAKEN**

- (i) More north light in daytime at the plant because of design of plant and use of transparent sheets at roof at the plant.

**(b) ADDITIONAL INVESTMENT AND PROPOSAL FOR REDUCTION OF CONSUMPTION OF ENERGY:**

- (1) Investment in Heat recovery unit, which will use exhaust gasses of Gas Based Genset.
- (2) Installation of New designed furnaces with complete automation.
- (3) Use of capacitor bank on mills.
- (4) Use of New lighting

**(c) IMPACT OF ABOVE MEASURES:**

Expected impacts when the plant is fully commissioned.

- (1) Power cost savings equivalent to 431 TR of air conditioning / chilled water.
- (2) Reduction of fuel consumption
- (3) Improvement in power factor

**FORM "A"**

Form for disclosure of particulars with respect to Conservation of Energy

**CONSUMPTION PER UNIT OF PRODUCTION**

Since the Company has not yet commenced its commercial production, these figures cannot be worked out.

**FORM "B"**

Form of disclosure of particulars with respect to technology absorption for 2004-2005

1. Specific area in which Research & Development is being carried out\*\*
2. Benefits Derived\*\*
3. Future Plan of Action\*\*
4. Expenditure on R & D\*\*

\*\* Since the Project is under implementation stage therefore no R & D has been done.

5. Foreign Exchange	2004-2005
	(Rs. In lacs)
(a) Earnings	NIL
(b) Outgo	1661.99

Note: Since this is the first period of incorporation of the Company therefore, no previous year's figures available.

Place: New Delhi  
Date: 7th July, 2005

For and on behalf of the Board

Chairman

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# Auditors' Report

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## IUP JINDAL METALS & ALLOYS LIMITED

To,  
The Members of  
IUP Jindal Metals & Alloys Limited

1. We have audited the attached Balance Sheet of IUP JINDAL METALS & ALLOYS LIMITED as at March 31, 2005 (referred to as "financial statements"). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from the material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2004 ("CARO"), issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in para 3 above, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of these books;
  - c. the Balance Sheet dealt with by this report is in agreement with the books of accounts.
  - d. on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the said directors are disqualified as on March 31, 2005 from being appointed as directors in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
  - e. the Balance Sheet dealt with by this report is in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
  - f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give a true and fair view:
    - i) in so far as they relate to the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;

Place: Mumbai  
Dated: 7th July, 2005

**Vijay N. Bhatt**  
Partner  
M.No. F-36647  
For and on behalf of  
**RSM & Co.**  
Chartered Accountants

**ANNEXURE TO THE AUDITORS' REPORT****(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)**

1. As the Company has not commenced any business activity, clauses 4(i), (ii), (iv), (vii), (viii), (x) of CARO are not applicable.
2. The Company has not granted / taken any loans, secured or unsecured to / from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4(iii) of CARO is not applicable.
3.
  - a. According to the information and explanations given to us, particulars of contracts or arrangements that need to be entered into a register in pursuance of section 301 of the Act have been so entered.
  - b. In respect of the transactions entered in the register maintained under section 301 of the Companies Act, 1956, we are informed that these transactions are in respect of specific nature for which no prevailing market prices are available. Further, there are no transactions for purchase of similar services with other parties and hence we are unable to comment whether the prices at which such services are purchased are reasonable.
4. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956. Accordingly clause 4(vi) of CARO is not applicable.
5.
  - a. The Company is regular in depositing undisputed dues with appropriate authorities, including income tax, service tax, custom duty and other statutory dues as applicable to the Company.
  - b. According to the information and explanations given to us, there were no undisputed amounts payable remaining outstanding as on March 31, 2005 in respect of income tax, service tax, custom duty and other statutory dues as applicable to the Company, for a period of more than six months from the date on which they became payable.
6. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
7. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause 4(xii) of CARO is not applicable.
8. The Company is not a chit fund or a nidhi / mutual benefit fund / society, hence clause 4(xiii) of CARO is not applicable.
9. The Company has not dealt or traded in shares, securities, debentures and other investments during the period, hence clause 4(xiv) of CARO is not applicable.
10. The Company has not given guarantee for loans taken by others from banks or financial institutions, hence clause 4(xv) of CARO is not applicable.
11. The Company has not raised any term loans, hence clause 4(xvi) of CARO is not applicable.
12. The Company has not raised any funds on short term basis. Accordingly, clause 4(xvii) of CARO is not applicable.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
14. The Company has not issued debentures. Accordingly, clause 4(xix) of CARO is not applicable,
15. The Company has not raised any money through a public issue during the year, hence clause 4(xx) of CARO is not applicable.
16. To the best of our knowledge and belief and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported, during the period.

**Vijay N. Bhatt**

Partner

M.No. F-36647

For and on behalf of

**RSM & Co.**

Chartered Accountants

Place: Mumbai

Dated: 7th July, 2005

# Financial Statements

## BALANCE SHEET

### IUP JINDAL METALS & ALLOYS LIMITED

Description	Schedule	As at March 31, 2005 (Rs.)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share capital	1	500,000
Share application money pending allotment		290,339,046
Reserves & Surplus	2	2,330,000
		<b>293,169,046</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Capital work in progress (including capital advances)		276,430,284
Pre-operative expenditure pending allocation	3	15,507,610
		<b>291,937,894</b>
<b>Current Assets, Loans and Advances</b>		
Cash and bank balances	4	17,645,490
Loans & advances	5	1,957,565
		<b>19,603,055</b>
<b>Less: Current Liabilities</b>		
Current liabilities	6	19,155,853
		<b>19,155,853</b>
<b>Net Current Assets</b>		
		<b>447,202</b>
<b>Miscellaneous Expenditure</b>		
(to the extent not written off or adjusted)	7	783,950
		<b>293,169,046</b>
<b>Significant accounting policies and notes to accounts</b>	8	

The schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

**Vijay N. Bhatt**

Partner

M.No. F-36647

For and on behalf of

**RSM & Co.**

Chartered Accountants

Place: Mumbai

Dated: 7th July 2005

For IUP Jindal Metals & Alloys Limited

**Francis Vassort**

Director

**Mahendra Malu**

Director

**Rajat Pathak**

Company Secretary & Financial Controller

**SCHEDULES FORMING PART OF THE BALANCE SHEET****IUP JINDAL METALS & ALLOYS LIMITED**

Description	As at March 31, 2005 (Rs.)
<b>SCHEDULE "1"</b>	
<b>Share Capital</b>	
<b>Authorised</b>	
1,00,00,000 equity shares of Rs.10/- each	100,000,000
<b>Issued, subscribed and paid up</b>	
50,000 equity shares of Rs. 10/- each fully paid up (Out of the above 49,940 shares are held by Jindal Saw Limited)	500,000
	<b>500,000</b>
<b>SCHEDULE "2"</b>	
<b>Reserves &amp; Surplus</b>	
Share Premium Account	2,330,000
	<b>2,330,000</b>
<b>SCHEDULE "3"</b>	
<b>Pre-operative expenditure pending allocation</b>	
Training fee	9,391,741
Insurance charges	2,082,286
Deputed staff cost	1,353,997
Finance charges	1,026,495
Legal & professional charges	711,405
Miscellaneous expenses	408,529
Travelling & conveyance	369,474
Audit fee	100,000
Communication expenses	63,682
	<b>15,507,610</b>
<b>SCHEDULE "4"</b>	
<b>Cash &amp; Bank Balances</b>	
Cash in hand	314
Balances with scheduled banks	
-on current accounts	372,176
-on fixed deposit (against bank guarantees)	17,273,000
	<b>17,645,490</b>
<b>SCHEDULE "5"</b>	
<b>Loans &amp; Advances</b>	
(Unsecured and considered good, unless otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	1,831,287
Tax deducted at source	126,278
	<b>1,957,565</b>
<b>SCHEDULE "6"</b>	
<b>Current Liabilities</b>	
Sundry creditors	8,022,188
Other liabilities	11,133,665
	<b>19,155,853</b>
<b>SCHEDULE "7"</b>	
<b>Miscellaneous expenditure</b>	
Preliminary expenditure	783,950
	<b>783,950</b>

# Financial Statements

## SCHEDULE 8: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### Background

IUP Jindal Metals and Alloys Limited ("the Company") was incorporated on August 9, 2004 in New Delhi under the Indian Companies Act. The name of the Company was changed to the present name w.e.f. February 25, 2005. The Company is a Joint Venture ("JV") between M/s Jindal Saw Limited (formerly M/s Saw Pipes Limited), a PR Jindal Group Company and a leader of the precision cold rolled stainless steel industry in India and M/s Imphy Ugine Precision ("IUP"), France, active in the stainless steel and nickel alloys precision strip business and part of Arcelor Group, the world's largest steel conglomerate with annual turnover of Euro 30 billion. This JV is in the ratio of 73:27 between M/s Jindal Saw Limited & M/s Imphy Ugine Precision respectively.

Seeing a huge potential of business development in the SAARC Countries in the field of higher value added material, including precision stainless and nickel alloys, both the JV partners have agreed to set up a modern plant at Bahadurgarh, near New Delhi, India which will develop relevant skills and become a cost effective facility for cold rolling and finishing activities and use this advantage to develop export sales especially in South and South East Asia. The Company expects to start its commercial production during the financial year 2005-06.

### A. Significant accounting policies adopted in the preparation and presentation of the accounts are as follows:

#### 1. Basis for preparation of accounts

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with Indian GAAPs ("Generally Accepted Accounting Principles") comprising mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

#### 2. Capital work in progress (including capital advances)

Capital work in progress includes cost of assets, related incidental expenses and advances made for acquisition of capital asset.

#### 3. Pre operative expenditure

Expenditure incurred during construction period is carried forward as "pre-operative expenditure pending allocation" and will be capitalised/amortised in the year in which commercial production begins. The amount to be capitalised or amortised will be determined in accordance with the accepted accounting principles.

#### 4. Foreign currency transactions

- Transactions in foreign exchange, other than those covered by forward contracts, are recorded at the exchange rate prevailing on the date of the transactions.
- Monetary items denominated in foreign currencies and outstanding at the balance sheet date are translated at the exchange rate prevailing as at the year-end.
- Net gain or loss on account of exchange difference either on settlement or on translation is recognised as income/expense in the Profit and loss account in the year in which such translation or settlement takes place except for liabilities relating to fixed assets which are adjusted in the cost of respective assets.
- Foreign currency monetary assets and liabilities relating to acquisition of fixed assets covered by forward contracts are stated at the forward contract rates and the difference between the forward rate and the exchange rate on the date of transaction is adjusted in the cost of respective fixed assets.

#### 5. Miscellaneous expenditure

Preliminary expenses will be amortized equally over a period of five years starting from the year of commencement of commercial production.

### B. NOTES TO ACCOUNTS

- 1 Since the project is under implementation stage and commercial production is yet to commence, no Profit and loss account has been prepared for the period ending March 31, 2005.

## 2 Contingent liabilities not provided for:

*(Rs. in lacs)*

<b>Particulars</b>	<b>For the period ended March 31, 2005</b>
Letter of credits	<b>308</b>
Bank guarantees	<b>173</b>
<b>Total</b>	<b>481</b>

3 Estimated amount of contracts pending to be executed on account of capital commitments (net of advances) Rs. 1,593 lacs.

4 Capital work in progress includes machinery in transit of Rs. 76.69 lacs

5 According to the information available with the Company regarding suppliers who constituted a 'small scale industrial undertaking' there are no amounts due to small scale industrial undertakings as on March 31, 2005.

6 CIF value of imports

*(Rs. in lacs)*

<b>Particulars</b>	<b>For the period ended March 31, 2005</b>
Capital goods	<b>1,698</b>

7 The entire staff for the Company is on deputation from Jindal Saw Limited and hence, no liability in respect of retirement benefits to employees is required to be provided in the books as on March 31, 2005. Further, application was made to the Regional Provident Fund Commissioner, Rohtak for allotment of Provident Fund code which has been allotted vide letter dated May 25, 2005.

8 Auditors' remuneration:

*(Rs. in lacs)*

<b>Particulars</b>	<b>For the period ended March 31, 2005</b>
Audit fees	<b>1.00</b>
Certification / others	<b>0.19</b>
<b>Total</b>	<b>1.19</b>

9 Expenditure in foreign currency

*(Rs. in lacs)*

<b>Item</b>	<b>Amount</b>
Training fees	<b>93.91</b>
<b>Total</b>	<b>93.91</b>

10 The Company has imported capital goods under the EPCG scheme at concessional rate of custom duty. As per the scheme, the Company has un-discharged export obligation of Rs. 5,886 lacs (USD 12.30 millions) as at March 31, 2005, which is required to be discharged by 2012/2013.

11 These financial statements pertain to the period from August 09, 2004 to March 31, 2005. This being the first period of operations of the Company since its incorporation, previous year's figures are not available.

As per our report of even date attached

**Vijay N. Bhatt**

Partner

M.No. F-36647

For and on behalf of

**RSM & Co.**

Chartered Accountants

Place: Mumbai

Dated: 7th July 2005

**For IUP Jindal Metals & Alloys Limited**

**Francis Vassort**

Director

**Mahendra Malu**

Director

**Rajat Pathak**

Company Secretary & Financial Controller

# Financial Statements

## Balance Sheet Abstract and Companies Business Profile Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I	Registration no	55-128194	State Code 55	Balance Sheet	31.03.05
II	Capital raised during the year (Rs. in thousands)				
	Public issue		Nil		
	Bonus Issue		Nil		
	Rights Issue		Nil		
	Private placement		500		
III	Position of mobilisation and deployment of funds (Rs. in thousands)				
	Total liabilities	29,3169	Total assets		293,169
	Sources of Funds:				
	Paid up Capital	500	Reserves and Surplus		2330
	Share Application Money	290,339			
	Secured loan	-	Un-secured loans		-
	Application of funds:				
	Net fixed assets	291,938	Investments		560,094
	Net current assets	447	Misc.Expenditure		784
	Accumulated losses	-			
IV	Performance of the company (Rs. in thousands)				
	Gross Turnover	-	Total expenditure		-
	Net Turnover	-			
	Profit before tax	-	Profit after tax		-
	Earning per share (Rs) - Equity	N/A			
	Dividend rate	N/A			
V	Generic name of three principal products of the Company				
	Product description				Item Code No
	i) Cold Rolled Strips				7219.35 / 7220.90

# Financial Statements

## JINDAL SAW LTD.

### CONSOLIDATED FINANCIAL STATEMENTS

#### AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF JINDAL SAW LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JINDAL SAW LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Balance Sheet of Jindal Saw Limited ("the Company") and its subsidiaries as at 30th September, 2005, 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 company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with generally accepted audit standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance 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. We did not audit the financial statements of subsidiaries whose financial statements reflect total assets (net) of Rs.22,807.75 lacs and total revenues of Rs.376.32 lacs. These financial statements have been audited by other auditors whose reports have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the respective auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Jindal Saw Ltd., and its subsidiaries included in the consolidated financial statements.
4. *Attention is invited to the following notes of schedule:*
  - (i) *Note No. 4 regarding non-provision for diminution in value of unquoted investments (amount unascertained)*
  - (ii) *Note No. 5 regarding change in the method of accounting policies related to issue expenses, which were earlier amortized over a period of ten years now utilized against share premium account.*

Subject to above, on the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 30th September 2005,
- b) In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date

**N.C. Aggarwal**  
Partner

M.No. 05951

For & on behalf of  
**N.C. AGGARWAL & CO,**  
Chartered Accountants

Place: New Delhi

Dated: 22nd November, 2005

# Financial Statements

## JINDAL SAW LTD.

### CONSOLIDATED BALANCE SHEET

Description	Schedule	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	14,711.47	3,897.97
Reserves and Surplus	2	64,511.18	30,345.55
		<b>79,222.65</b>	<b>34,243.52</b>
<b>Deferred Tax Liability (Net)</b>	3	<b>5,988.21</b>	4,657.77
<b>LOAN FUNDS</b>			
Secured	4	67,128.78	55,112.32
Unsecured	5	52,663.11	21,190.93
		<b>119,791.89</b>	<b>76,303.25</b>
Total		<b>205,002.75</b>	<b>115,204.54</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets :</b>			
Gross Block	6	86,334.47	50,914.25
Less :Depreciation		19,804.00	15,731.14
<b>Net Block</b>		<b>66,530.47</b>	35,183.11
Capital Work in Progress		11,768.69	23,499.09
Pre-operative Expenses		317.39	1,672.48
		<b>78,616.55</b>	<b>60,354.68</b>
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	8	92,624.91	45,182.44
Sundry Debtors	9	33,346.66	41,039.90
Cash and Bank Balances	10	15,264.59	3,446.84
Loans and Advances	11	26,584.10	20,932.59
		<b>167,820.26</b>	<b>110,601.77</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	12	46,404.51	62,548.77
Provisions	13	3,713.82	1,823.34
		<b>50,118.33</b>	<b>64,372.11</b>
<b>NET CURRENT ASSETS</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off)	14	7.84	-
Total		<b>205,002.75</b>	<b>115,204.54</b>
<b>NOTES TO THE ACCOUNTS</b>			
	23		

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**H.S. Chaudhary**

Wholetime Director

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**A.J.A. Tauro**

**Dr. S.K. Gupta**

**Kuldip Bhargava**

Directors

**Neeraj Kumar**

Director (Finance) & CFO

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Description	Schedule		For the Year 2004-05 (Rs. in lacs)		For the Year 2003-04 (Rs. in lacs)
<b>INCOME</b>					
Sales and Operational Income	15	<b>239,304.90</b>		112,688.46	
Less: Excise Duty		<b>7,920.39</b>	<b>231,384.51</b>	4124.95	108,563.51
Other Income	16		<b>1,797.76</b>		735.38
Increase/(Decrease) in Stock	17		<b>19,037.65</b>		7,024.19
			<b>252,219.92</b>		116,323.08
<b>EXPENDITURE</b>					
Raw Material Consumed			<b>178,087.27</b>		76,009.40
Manufacturing Expenses	18		<b>27,939.58</b>		17,720.03
Payments to and Provisions for Employees	19		<b>4,107.17</b>		2,533.07
Selling Expenses	20		<b>9,501.06</b>		3,947.86
Finance Expenses	21		<b>9,846.45</b>		4,084.54
Administrative & Other Expenses	22		<b>4,076.19</b>		1,904.42
Depreciation		<b>4,070.16</b>		2,648.70	
Less: Transfer to Revaluation Reserve		<b>419.82</b>	<b>3,650.34</b>	352.11	2,296.59
Profit before Taxation			<b>237,208.06</b>		108,495.91
Provision for Taxation			<b>15,011.86</b>		7,827.17
- Income Tax		<b>3,794.33</b>		1,897.15	
- Deferred Tax Liability		<b>1,330.44</b>		248.75	
- Fringe Benefit Tax		<b>42.50</b>		-	
- Prior Period Tax Adjustment		<b>(99.90)</b>		(0.43)	
Provision for Wealth Tax		<b>1.80</b>	<b>5,069.17</b>	1.50	2,146.97
Profit After Taxation			<b>9,942.69</b>		5,680.20
Profit Brought Forward			<b>8,269.46</b>		4,878.59
Debenture Redemption Reserve Written Back			<b>625.00</b>		-
Translation Exchange Difference (Net)			<b>326.15</b>		-
<b>Disposable Profit</b>			<b>19,163.30</b>		10,558.79
<b>APPROPRIATIONS</b>					
Proposed Dividend :					
- on Equity Shares			<b>1,884.58</b>		974.48
- on Preference Shares			<b>21.51</b>		-
Corporate Tax on Proposed Dividends			<b>267.33</b>		127.35
General Reserve			<b>1,250.00</b>		1,000.00
Debenture Redemption Reserve			<b>1,437.50</b>		187.50
Statutory Reserve			<b>41.91</b>		-
Balance Carried to Balance Sheet			<b>14,260.47</b>		8,269.46
			<b>19,163.30</b>		10,558.79
Basic Earning per Share (In Rs.) of Rs. 10/- each			<b>25.28</b>		14.57
Diluted Earning per Share (In Rs.) of Rs. 10/- each			<b>20.51</b>		14.57

**NOTES TO THE ACCOUNTS**

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As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For &amp; on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**H.S. Chaudhary**

Wholetime Director

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**Neeraj Kumar**

Director (Finance) &amp; CFO

**A.J.A. Tauro****Dr. S.K. Gupta****Kuldip Bhargava**

Directors

# Financial Statements

## JINDAL SAW LTD.

### SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description	As At Sept. 30,2005 (Rs. in lacs)	As At Sept. 30,2004 (Rs. in lacs)
<b>SCHEDULE "1"</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
i) 10,00,00,000 (Previous year 5,00,00,000) Equity Shares of Rs.10/- Each	10,000.00	5,000.00
ii) 1,00,00,000 (Previous year 25,00,000) Redeemable Cumulative Preference Shares of Rs.100/- each	10,000.00	2,500.00
	<b>20,000.00</b>	<b>7,500.00</b>
<b>Issued and Subscribed</b>		
i) 4,71,15,108 (Previous year 3,89,80,108) Equity Shares of Rs.10/- each	4,711.51	3,898.01
ii) 1,00,00,000 (Previous year Nil) 7.85% Redeemable Cumulative Preference Shares of Rs.100/- each	10,000.00	-
	<b>14,711.51</b>	<b>3,898.01</b>
<b>Paid Up</b>		
i) 47,114,308 (Previous year 3,89,79,308) Equity Shares of Rs.10/- each	4,711.43	3,897.93
Add : Forfeited Capital	0.04	0.04
	<b>4,711.47</b>	<b>3,897.97</b>
ii) 1,00,00,000 (Previous year Nil) 7.85% Redeemable Cumulative Preference Shares of Rs.100/- each	10,000.00	-
	<b>14,711.47</b>	<b>3,897.97</b>

#### 1. Of The Above Equity Shares

- 20,08,000 were allotted pursuant to contract without payment being received in cash.
  - 66,13,936 were allotted pursuant to Schemes of Amalgamation without payment being received in cash.
  - 2,57,96,172 were allotted as fully Paid Up bonus shares by capitalising General Reserves and Share Premium.
  - 81,35,000 have been issued as underlying shares to the Global Depository Shares (each representing one share) issued.
  - 650 have been held in abeyance and not allotted as a result of attachment orders by Govt. authorities, lost share certificates and other disputes.
  - 800 (partly paid up Rs. 5/-) have been forfeited.
- Initial purchaser of GDS has an option to buy on or before 14th October, 2005, 12,50,000 GDS (represented by equal No of equity shares) at a purchase price of US\$ 7.99 per GDS.
  - Preference shares are to be redeemed in three yearly installments in the ratio of 30:30:40 at the end of fifth, sixth and seventh year from the date of allotment i.e 22.09.2005. These also carry put / call option at the end of 5th year.

Description	As at Sept. 30,2004 (Rs. in lacs.)	Additions/ created	Deductions	As At Sept. 30, 2005 (Rs. in lacs)
<b>SCHEDULE "2"</b>				
<b>RESERVES AND SURPLUS</b>				
(i) Capital Reserve	9.50	-	-	<b>9.50</b>
(ii) Capital Redemption Reserve	1,500.00	-	-	<b>1,500.00</b>
(iii) General Reserve	15,913.06	1,250.00	-	<b>17,163.06</b>
(iv) Debenture Redemption Reserve	1,562.50	1,437.50	625.00	<b>2,375.00</b>
(v) Share Premium Account :	558.91	27,741.61	1,251.58*	<b>27,048.94</b>
(vi) Statutory Reserve	-	41.91	-	<b>41.91</b>
(vii) Revaluation Reserve	2,532.12	-	419.82	<b>2,112.30</b>
(viii) Profit and Loss Account	8,269.46	10,893.84	4,902.83	<b>14,260.47</b>
<b>Total</b>	<b>30,345.55</b>	<b>41,364.86</b>	<b>7,199.23</b>	<b>64,511.18</b>
Previous year	26,124.95	6,867.70	2,647.10	<b>30,345.55</b>

\*Utilized for share issue expenses

	As at Sept. 30,2005 (Rs. in lacs.)	As At Sept. 30, 2004 (Rs. in lacs)
<b>SCHEDULE "3"</b>		
<b>DEFERRED TAX LIABILITY</b>		
<b>A) Deferred Tax Liability</b>		
Difference between book and tax depreciation	<b>6,742.94</b>	4,779.67
Total Deferred Tax Liability	<b>6,742.94</b>	4,779.67
<b>B) Deferred Tax Assets</b>		
1. Disallowance under Income Tax Act	<b>30.27</b>	11.84
2. Provision for Diminution in investment	<b>28.95</b>	54.18
3. Long Term Capital Loss	<b>695.51</b>	55.88
<b>Total Deferred Tax Assests</b>	<b>754.73</b>	121.90
<b>Deferred Tax Liability (Net) (A-B)</b>	<b>5,988.21</b>	4,657.77
<b>SCHEDULE "4"</b>		
<b>SECURED LOANS</b>		
<b>A. Redeemable Non-Convertible Debentures</b>	<b>25,000.00</b>	15,750.00
<b>B. Term Loan</b>		
(i) From Banks	<b>28,790.39</b>	25,211.95
(ii) From Financial institutions	<b>2,350.25</b>	7,056.81
<b>C. Working Capital Loans from Banks</b>	<b>10,963.77</b>	7,067.17
<b>D. Deferred Sales Tax Loan</b>	<b>24.37</b>	26.39
	<b>67,128.78</b>	55,112.32

**NOTES**

- A (1) Debentures referred to in A above are secured by pari-passu charge by way of English mortgage on the Company's specific immovable properties located in the State of Gujarat and by way of equitable mortgage of Company's other immovable properties and hypothecation of moveable fixed assets in favour of Debenture Trustees.
- (2) Debentures referred to the A above are privately placed and consist of :
- (i) 9.75% Debenture of Rs.100/- each aggregating to Rs.7,500.00 lacs are redeemable in three equal Annual instalments commencing from 01.10.2007

# Financial Statements

- (ii) 7.75% Debenture of Rs.10,00,000/- each aggregating to Rs.7,500.00 lacs are redeemable in three equal Annual instalments commencing from 25.03.2008
- (iii) 7.75% Debenture of Rs.100/- each aggregating to Rs.10,000.00 lacs are redeemable in three equal annual instalments commencing from 29.09.2009.
- (iv) debentures referred to in (ii) & (iii) above are also secured by personal guarantee of directors.
- B. (i) Term Loans from Banks include Loans of Rs.118.20 lacs (Previous year Rs.140.52 lacs) for purchase of vehicles and secured by way of hypothecation of vehicles.
- (ii) Term Loans from Banks include loans of Rs.18,211.45 which are secured / to be secured by way of mortgage of Company's immovable properties and hypothecation of moveable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.
- (iii) Term Loans from Banks/Financial Institutions include loans of Rs.13,457.56 lacs (Previous year Rs.12,893.25 lacs) for which Director(s) personal guarantee has been provided.
- (iv) Term Loans from Financial Institutions & others include a House Property loan of Rs.644.16 lacs (Previous year Rs.692.00 lacs) which is to be secured by way of exclusive charge on the Company's House Property situated in Delhi.
- (v) Term Loans from Financial Institutions & others include loans of Rs.2,350.25 lacs secured by way of mortgage of Company's immovable properties and hypothecation of moveable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.
- (vi) Term Loans from Financial Institutions & others include a loan of Rs.1,800.00 Lacs, which is secured by way of charge subservient to 1st & 2nd charge holders on entire moveable and immoveable properties of the Company.
- (vii) Term loans from Financial Institutions include loans of Rs.2,350.25 Lacs (Previous year Rs.4,230.81 lacs) for which Director(s) personal guarantee has been provided
- C. Working Capital Loans are secured/to be secured by hypothecation of finished goods, raw-materials, work-in-progress, stores and spares, book debts and second charge in respect of other moveable and immoveable properties of the Company.
- D. Deferred Sales Tax Loan is secured by way of second pari passu charge on immoveable assets and hypothecation of moveable assets at the Company's Kosi Kalan Unit (in UP)

Description	As at Sept. 30,2005 (Rs. in lacs.)	As At Sept. 30, 2004 (Rs. in lacs)
<b>SCHEDULE "5"</b>		
<b>UNSECURED LOANS</b>		
(i) Fixed Deposits	4,035.93	2980.03
(ii) Deferred Sales Tax loan	2,188.35	908.80
(iii) Unsecured Loans from Banks	23,233.01	8375.00
(iv) Commercial Paper	13,000.00	-
(v) Intercorporate Loans	10,205.82	8927.10
	<b>52,663.11</b>	<b>21190.93</b>

## NOTE

- i) Deferred Sales Tax loan and unsecured loan of Rs.5,625.01 lacs from banks are guaranteed by one of the Directors.
- ii) Unsecured loan from banks includes amount of Rs.15,107.14 lacs payable within one year.

## SCHEDULE "6" ASSETS

Description	Gross Block				Depreciation				Net Block	
	As At 01.10.04	Additions	Deduction/ Adjustments	As At 30.09.2005	Upto 01.10.2004	During the Year	Deduction/ Adjustments	Upto 30.09.2005	As At 30.09.2005	As At 30.09.2004
Land :										
Free hold	435.01	49.74	45.69	439.06	-	-	-	-	439.06	435.01
Lease hold	394.17	-	-	394.17	72.32	6.46	-	78.78	315.39	321.85
Buildings	7,429.46	2,049.39	-	9,478.85	1,211.40	204.93	-	1,416.33	8,062.52	6,218.05
Plant & Machinery	41,722.53	33,192.84	7.98	74,907.39	14,194.69	3791.91	2.16	17,984.43	56,922.96	27,527.86
Vehicles	570.87	152.19	36.35	686.71	167.81	57.86	14.22	212.46	474.25	403.06
Furniture & Fixture	362.21	66.08	-	428.29	84.92	27.08	-	112.00	316.29	277.28
<b>Total</b>	50,914.25	35,510.24	90.02	86,334.47	15,731.14	4,089.24	16.38	19,804.00	66,530.47	35,183.11
<b>Previous Year</b>	43,896.22	7,258.47	240.44	50,914.25	13,164.75	2,659.73	93.34	15,731.14	35,183.11	

**NOTE**

A) Gross Block includes the following amount on account of revaluation made on 31.03.1996 of Pipe Division at A-1, UPSIDC Indl. Area, Kosi Kalan at Net current Residual Replacement Value.

1) Land			
- Freehold	7.38	(ii) Building	548.34
- Leasehold	143.59	(iii) Plant & Machinery	3,916.96

B) Depreciation of Rs.19.08 lacs, included in pre-operative expenses account.

Description	As at Sept. 30, 2005 (Rs. in lacs.)	As At Sept. 30, 2004 (Rs. in lacs)
<b>SCHEDULE "7"</b>		
<b>INVESTMENTS</b>		
Quoted Shares	6,900.99	6,914.99
Unquoted Shares	667.21	667.21
Investments in Debentures/Bonds/Units-unquoted	890.00	890.00
Govt & Trust Securities	218.23	148.00
<b>Total</b>	<b>8,676.43</b>	<b>8,620.20</b>
<b>Aggregate Market Value of Quoted Investments</b>	<b>33,582.75</b>	<b>17,773.33</b>
<b>SCHEDULE "8"</b>		
<b>INVENTORIES</b>		
(As taken valued and certified by the management )		
i) Stores and Spares	2,842.82	1,153.16
ii) Loose Tools	38.32	6.37
iii) Finished goods	19,844.01	4,527.97
iv) Work in Progress	7,488.46	5,080.46
v) Raw Material*	60,764.99	34,081.79
vii) Scrap	1,646.31	332.69
	<b>92,624.91</b>	<b>45,182.44</b>

\* Includes Raw Material in Transit of Rs.4,936.29 lacs  
(Previous Year Rs.7,296.58 lacs)

**SCHEDULE "9"**
**SUNDRY DEBTORS**

(Unsecured, considered good)

i) Exceeding six months	9,048.68	8,070.65
a) Considered good		
b) Considered doubtful	14.42	15.29
Less provision for doubtful debts	(14.42)	(15.29)
ii) Others	24,297.98	32,969.25
	<b>33,346.66</b>	<b>41,039.90</b>

**SCHEDULE "10"**
**CASH AND BANK BALANCES**

i) Cash on hand	21.57	25.99
ii) Bank balance with Scheduled banks		
In Current Accounts	1,197.67	2,783.21
In Fixed Deposit Account	13,760.54	637.64
iii) Bank balance with Un-scheduled Bank		
- In Current Accounts	284.81*	-
(JP Morgan Chase Bank, New York)		
(Maximum balance during the year Rs.1,140.77 lacs, Previous year nil)		
	<b>15,264.59</b>	<b>3,446.84</b>

\*Balance of unutilized money out of GDS issue.

# Financial Statements

Description	As at Sept. 30,2005 (Rs. in lacs.)	As At Sept. 30, 2004 (Rs. in lacs)
<b>SCHEDULE "11"</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured, considered good)</b>		
i) Advances recoverable in cash or in kind or for value to be received considered good	7,591.58	6,999.20
ii) Earnest money and Security deposits	1,690.09	1,345.88
iv) Balance with Excise, Customs and Port Authorities etc.	53.89	0.39
v) Inter Corporate Loans	11,919.55	11,044.41
vi) Interest accrued on Investments	1.97	7.35
vii) Prepaid Expenses	1,939.00	948.12
viii) Export Benefit / Government Grants Receivable	3,388.02	587.24
	<b>26,584.10</b>	<b>20,932.59</b>
<b>SCHEDULE "12"</b>		
<b>CURRENT LIABILITIES</b>		
i) Acceptances	3,420.37	-
ii) Sundry Creditors	34,114.95	58,201.30
iii) Advance from Customers	1,689.89	75.30
iv) Interest Accrued but not due	1,211.21	597.21
v) Other Liabilities	5,868.76	3,589.91
vi) Unpaid Dividend*	99.33	85.05
	<b>46,404.51</b>	<b>62,548.77</b>
*There is no amount due & outstanding to be credited to Investor's Education and protection fund under section 205C of the Companies Act, 1956.		
<b>SCHEDULE "13"</b>		
<b>PROVISIONS</b>		
i) For Taxation (Net of Prepaid Taxes)	1,345.04	605.55
ii) For Proposed Dividend & Corporate tax thereon	2,173.42	1,101.83
iii) Others	195.36	115.96
	<b>3,713.82</b>	<b>1,823.34</b>
<b>SCHEDULE "14"</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off)		
Preliminary Expenses	7.84	-
	<b>7.84</b>	<b>-</b>
	For the Year 2004-05 (Rs. in lacs)	For the Year 2003-04 (Rs. in lacs)
<b>SCHEDULE "15"</b>		
<b>SALES AND OPERATIONAL INCOME</b>		
i) Sales	229,797.26	104,070.01
ii) Job Charges	4,864.24	5,710.26
iii) Export / Deemed Export Benefits / Govt.Grants	4,643.40	2,908.19
	<b>239,304.90</b>	<b>112,688.46</b>

Description	For the Year 2004-05 (Rs. in lacs)	For the Year 2003-04 (Rs. in lacs)
<b>SCHEDULE "16"</b>		
<b>OTHER INCOME</b>		
i) Dividend on Long Term investment	473.04	246.82
ii) Profit on Sales of Investment	260.01	8.84
iii) Previous Year's Adjustment (Net)	-	63.95
iv) Miscellaneous Receipts	318.25	355.60
v) Provision for diminution in Investment written back	1.67	-
vi) Foreign Exchange Fluctuation (Net)	744.79	60.17
	<b>1,797.76</b>	<b>735.38</b>
<b>SCHEDULE "17"</b>		
<b>INCREASE / (DECREASE) IN STOCK</b>		
<b>OPENING STOCK</b>		
i) Finished Goods	4,527.97	1,719.90
ii) Work-in-progress	5,080.47	1,138.01
iii) Scrap	332.69	59.03
	<b>9,941.13</b>	<b>2,916.94</b>
<b>CLOSING STOCK</b>		
i) Finished Goods	19,844.01	4,527.97
ii) Work-in-progress	7,488.46	5,080.47
iii) Scrap	1,646.31	332.69
	<b>28,978.78</b>	<b>9,941.13</b>
Increase/(Decrease) in Stock	<b>19,037.65</b>	<b>7,024.19</b>
<b>SCHEDULE "18"</b>		
<b>MANUFACTURING EXPENSES</b>		
i) Stores and Spares	4,508.25	1,408.60
ii) Power and Fuel	3,717.09	1,834.27
iii) Outsourcing	17,979.75	13,646.12
iv) Other Manufacturing expenses	1,086.85	336.16
v) Repair and Maintenance:		
- Plant and Machinery	533.10	295.19
- Building & Others	114.54	199.69
	<b>27,939.58</b>	<b>17,720.03</b>
<b>SCHEDULE "19"</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
i) Salary, Wages and other Benefits	3,544.93	2,164.11
ii) Contribution to Provident and other funds	222.92	154.02
iii) Workmen and Staff Welfare	339.32	214.94
	<b>4,107.17</b>	<b>2,533.07</b>

# Financial Statements

Description	For the Year 2004-05 (Rs. in lacs)	For the Year 2003-04 (Rs. in lacs)
<b>SCHEDULE "20"</b>		
<b>SELLING EXPENSES</b>		
i) Commission on Sales	2,148.23	92.71
ii) Advertisement	67.67	46.01
iii) Forwarding charges (net of recoveries of Rs.2,636.62 lacs Previous Year 817.35 Lacs)	6,742.64	2,929.79
iv) Other Selling Expenses	542.52	879.35
	<b>9,501.06</b>	<b>3,947.86</b>
<b>SCHEDULE "21"</b>		
<b>FINANCE EXPENSES</b>		
i) Interest on Fixed Deposits	310.44	225.83
ii) Interest on Debentures	876.44	759.56
iii) Interest on Term Loans	3,253.30	1,637.33
iv) Interest on Bank Borrowings	2,784.81	787.41
v) Bank and Finance charges	2,861.11	1,599.86
vi) Interest to Others	932.50	351.60
	<b>11,018.60</b>	<b>5,361.59</b>
Less: Interest Received:		
i) Interest on Bonds and Debentures	108.87	53.09
ii) Other Interest on Loans, Advances and Deposit	1,063.28	1,223.96
	<b>1,172.15</b>	<b>1,277.05</b>
	<b>9,846.45</b>	<b>4,084.54</b>
<b>SCHEDULE "22"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
i) Rent, Rates & Taxes	344.96	84.57
ii) Insurance	284.90	153.46
iii) Postage, Telegrams & Telephones	178.49	129.69
iv) Travelling & Conveyance	506.24	277.85
v) Legal & Professional	397.61	426.25
vi) Vehicle upkeep & Maintenance	120.63	100.83
vii) Director's Meeting Fees	3.00	3.65
viii) Donations	115.05	32.05
ix) Miscellaneous Expenses	718.25	550.61
x) Auditor's Remuneration	13.54	10.45
xi) Cost Auditor's remuneration	3.91	2.25
xii) Preliminary / Deferred Revenue Expenses W/off	-	2.21
xiii) Bad Debts	1,309.30	37.84
xiv) Loss on Sale of Fixed Assets( Net)	11.09	92.71
xv) Previous Year's Adjustment (Net)	69.22	-
	<b>4,076.19</b>	<b>1,904.42</b>

**SCHEDULE – “23”****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY; FIVE SUBSIDIARIES****1. Basis of Preparation**

- a) Jindal Saw Limited (JSL) has prepared consolidated financial statements by consolidating its accounts with those of its following subsidiaries in accordance with Accounting Standard-21 (Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India.

Name of the Company	Country of Incorporation	% Shareholding / Voting power	Date of Financial Statements
Hexa Securities & Finance Company Ltd., (HSFCL)	India	100%	September 30, 2005
Jindal Enterprises L.L.C (JELLC)	USA	100%	June 30, 2005
IUP Jindal Metals & Alloys Ltd. (IUP Jindal)	India	100%	March 31, 2005

- b) The Consolidated Financial Statements are prepared according to uniform accounting policies in accordance with the generally accepted accounting principles. The effects of inter-group company transactions and resulting unrealized profits are eliminated in consolidation
- c) Foreign Subsidiaries Conversion – Revenue items have been consolidated at the average rate prevailing during the year. Fixed Assets have been translated at the rates prevailing on the dates of their acquisition and depreciation provided accordingly. Other current assets and liabilities are converted at the rates prevailing at the end of the year. Exchange Gain/(Loss) arising on consolidation in respect of borrowing for fixed assets are adjusted to the cost of such fixed assets and other Exchange Gain/(Loss) are recognized in the profit and loss account.
- d) All the aforesaid companies became subsidiaries since inception of business activities and there were no increase or decrease in investments. Hence there is no capital reserve or goodwill.
- e) The Financial Statements of subsidiaries used in the consolidation are drawn up to the same reporting date as that of the company i.e. 30th September 2005 except Jindal Enterprises LLC, which has been accounted based on results of 12 months ended on 30th June, 2005 & IUP Jindal Metals & Alloys Ltd. which has been accounted, based on 12 months ended 31st March, 2005. Suitable adjustments are made to the financial statement for the effect of significant transaction that have occurred between the date of such financial statement and date of consolidation.

**2. CONTINGENT LIABILITIES**

	Current Year (Rs in lacs)	Previous Year (Rs in lacs)
a) Counter Guarantee given to Company's bankers for Guarantee given by them on behalf of the Company	<b>28,223.62</b>	23,934.87
b) Letter of Credit Outstanding (Net of Liabilities provided in the books)	<b>39,128.22</b>	42,902.07
c) Disputed Sales Tax & Excise duty	<b>537.13</b>	1.84
d) Liability in respect of Corporate Guarantee (for 100% EOU Unit at Mundra)	<b>1,976.41</b>	2,087.36
e) Bank Guarantee given to Custom Authority for export obligation for export under EPCG Scheme	<b>399.73</b>	399.73
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances).	<b>2,171.91</b>	1,232.22

## Financial Statements

4. The Company has certain unquoted investment where the fair value (amount unascertained) is lower than the cost, considering the long-term strategic investments and future prospects, such diminution, in the opinion of the management, has been considered to be of temporary nature and hence no provision for the same is considered necessary.
5. During the year, Share Issue Expenses has been utilized against Share Premium Reserve, which was earlier written off over a period of ten years. Had the same being written off over a period of ten years the Profit after tax would have been Rs.9,817.53 lacs (instead of Rs.9,942.69 lacs) and Reserves and Surplus would have been Rs. 65,637.60 lacs (instead of Rs.64,511.18 lacs) and Miscellaneous Expenditure would have been Rs. 1,134.26 (instead of Rs.7.84 lacs) and the Miscellaneous Expenditure Written off would have been Rs. 125.16 lacs (instead of Rs.Nil).
6. Sundry Debtors, Creditors and other advances are subject to confirmation. The effect of the same, if any, which are not likely to be material, will be adjusted at the time of confirmation.
7. One of the Company's unit is entitled to sell goods at concessional rate of excise duty based on FOB value of exports. For such sales unit is also eligible to procure duty free inputs. As per the Accounting Policy of the Company such DTA sale entitlement is being recognized as operational income in the year of accrual. It is thereafter considered as raw-material cost in the year of utilization of such entitlement. In line with this policy during the year, Company has recognized operational income and Raw Material Consumption of Rs.1,548.33 lacs and Rs.12.94 lacs (Previous Year Rs. 1,773.84 lacs and Rs. 766.64 lacs respectively)
8. Custom duty entitlement of Rs. 60.01 lacs (Previous Year Rs. 23.85 lacs), in the case of Advance Licenses, is accounted for, on actual export / deemed exports.
9. The Stores and Spares consumed and Salaries & Wages incurred for repairs and maintenance of Plant and Machinery and shed and Building have not been allocated to the respective repairs and maintenance accounts
10. In the opinion of the Board, the realisable value of Current assets, loans & advances, in the ordinary course of business, would not be less than the amount at which they are stated.
11. Capital work in progress includes Advance against capital goods and inventories of capital nature.
12. During the year, the company has issued 8,135,000 GDS @ USD 7.99 per GDS, represented by equal number of equity shares of Rs.10 each. The total amount received of Rs.28,531.81 lacs is utilized towards repayment of term loans and working capital borrowings to the tune of Rs.26,995.41, issue expenses of Rs.1,251.58 lacs. The balance of Rs.284.82 lacs, is shown under cash and bank balances, with unscheduled bank, as unutilized balance out of issue proceeds.
13. The amount of foreign exchange fluctuation amounting to Rs.1,870.59 lacs (Credit) (Previous Year Rs. 1,017.71 lacs Credit) is included under the relevant heads of expenditure and income.
14. Profit for the year includes Prior Period Adjustment Rs.97.34 lacs (Debit) and Rs.28.12 lacs (Credit) [Previous Year Rs.2.05 lacs (Debit) Rs.66.00 lacs (Credit)].
15. Profit or Loss on sale of raw material, stores and spares is not ascertained or shown separately and sale proceeds have been credited to the respective consumption accounts.
16. As of June 30, 2005, JELLC has a loan of 8.55 (Rs.3,722.03 lacs) million from the Bank of India. The loan carries interest at 2.0 percent over 3 month Libor with payments through June 30, 2007. The loan is secured by a secured interest in inventory and equipment and a guarantee from Jindal Saw Ltd. India. In August 2004, JELLC obtained a term loan from ICICI Bank UK Limited for US\$10,000,000 (Rs.4,353.25 lacs)

US\$ 6.8 million of the loan proceeds was used to pay the remaining balance on the Standard Chartered Bank note. The balance of proceeds of the loan will be used for working capital. Under the terms of the agreement the first note payment of US\$1.25 million would be due February 2006 and payment of US\$1.25 million due every six months until the note is paid in full. The interest rate is 125 basis points per annum over LIBOR.

In June 2005, JELLC obtained a US\$4.0 (Rs.1,741.30 lacs) million term loan from Barclays Bank PL. The loan is due in December 2005. The Loan is guaranteed by Jindal Saw Limited, India. The interest rate per annum is 2 percent over LIBOR.

17. In JELLC, US Denro Steels, Inc. d.b.a Jindal United Steel Corporation is recorded as an investment on the balance sheet. The percentage of income or loss increases or decreases the investment in U.S Denro Steels, Inc. investment account on the Company's books. No intercompany transactions have been eliminated in the financial statements. The investment in U.S Denro Steels, Inc. has been reduced to zero on the balance sheet based on the Company's share of US Denro Steels, Inc's loss. However, due to the fact that the Jindal Enterprises LLC is not liable for the debts of US Denro Steels, Inc. the investment is not reduced below zero. When the equity interest in US Denro Steels, Inc. is positive, then the Company will again record the investment in US Denro Steels, Inc.
18. IUP Jindal, has imported capital goods under the EPCG scheme at concessional rate of custom duty. As per the scheme, the Company has un-discharged export obligation of Rs. 5,886 lacs (USD 12.30 millions) as at March 31, 2005, which is required to be discharged by 2012/2013.
19. Since certain subsidiaries are in the same line of business which function in a different regulatory environment, certain policies such as in respect of depreciation etc. differ. The notes on accounts and accounting policies followed by the subsidiaries and holding company are disclosed in their respective financial statements annexed in this annual report.
20. Per Share (EPS) Basic and Diluted computed in accordance with Accounting Standard 20 "Earning per Share"

Description	(Rs. in Lacs) Current Year	(Rs. in Lacs) Previous Year
Profit after tax	9,942.69	5,680.20
Less: Preference dividend including tax thereon	24.53	-
Profit attributable to Equity Shareholders	9,918.16	5,680.20
Weighted average No. of Shares for basic	39,224,472	38,979,308
Weighted average No. of Shares for diluted	48,364,308	38,979,308
Basic EPS (Rs.)	25.28	14.57
Diluted EPS (Rs.)	20.51	14.57

21. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Parent Company's financial statement. previous year / reargrange wherever considered necessary.

## 22. Related Parties Transactions

### A List of Related Parties & Relationship (As identified by the Management)

#### a) Joint Venture

Daelim E&C India Pvt. Ltd                      Joint Venture

#### b) Associate Enterprises

1	US Denro Steels Inc.	}	Associate
2	Minerals & Metals FZE		
3	St. James Investments Ltd		

# Financial Statements

## c) Key Management Personnel

1	Sminu Jindal	Managing Director
2	H.S. Chaudhary	Whole Time Director
3	Neeraj Kumar	Director - Finance
4	H.S. Bedi	Director - Technical
5	O.P.Sharma	President - Marketing
6	Sunil Trehan	President Spun Pipes
7	V.S. Konnur	President & CEO, Seamless Tube Division
8	R.N. Kale	Vice President Marketing (Seamless Tubes)
9	A.K. Shrivastava	Vice President Works, IPU
10	Vikarm Puri	Vice President (Corporate Human Resources)

## B Transactions

(Rs. In Lacs)

Description	Associate	Key Management Personnel	Total
Purchase of material	<b>4,400.39</b>		<b>4,400.39</b>
	<i>65.62</i>		<i>65.62</i>
Sale of material	<b>4.17</b>		<b>4.17</b>
	-		-
Interest Paid	<b>146.34</b>	<b>3.49</b>	<b>149.83</b>
	<i>110.73</i>	<i>2.70</i>	<i>113.43</i>
Interest Received	<b>471.23</b>		<b>471.23</b>
	<i>502.45</i>		<i>502.45</i>
Toll Charges	<b>15,286.89</b>		<b>15,286.89</b>
	<i>9,661.32</i>		<i>9,661.32</i>
Rent	<b>55.81</b>		<b>55.81</b>
	<i>82.79</i>		<i>82.79</i>
Reimbursement	<b>8,294.63</b>		<b>8,294.63</b>
	<i>1,599.28</i>		<i>1,599.28</i>
Remuneration Paid	<b>37.72</b>	<b>182.23</b>	<b>219.95</b>
	-	<i>144.96</i>	<i>144.96</i>
<b>Outstanding Balance as on 30.09.2005</b>			
For services / material receivable	-		-
	<i>1,107.15</i>		<i>1,107.15</i>
Creditors	<b>536.08</b>		<b>536.08</b>
	-		-
Loans & Advances Given	<b>10,591.26</b>	-	<b>10,591.26</b>
	<i>10,224.98</i>	<i>4.29</i>	<i>10,229.27</i>
Loans and advances taken (Including interest accrued)	<b>5,353.66</b>		<b>5,353.66</b>
	<i>6,318.85</i>		<i>6,318.85</i>
Received from liquidator of joint venture Rs.1.67 lacs			

Note: Italic figures pertains to previous year

**23. Segment Information:****A) PRIMARY BUSINESS SEGMENT**

(Rs. In Lacs)

Particulars	Iron and steel products	Investment	Unallocable	Total
<b>1 Segment Revenue</b>				
-External Turnover	<b>239,304.90</b>	-	-	<b>239,304.90</b>
	112,380.81	307.65	-	112,688.46
Less: Excise Duty	<b>7,920.39</b>		-	<b>7,920.39</b>
	4,124.95		-	4,124.95
<b>Net Turnover</b>	<b>231,384.51</b>		-	<b>231,384.51</b>
	108,255.86	307.65	-	108,563.51
<b>2 Segment Result Before Interest, Extra ordinary items and Taxes</b>	<b>19,772.07</b>	<b>352.87</b>	<b>4,733.37</b>	<b>24,858.31</b>
	12,575.31	415.79	(1,079.39)	11,911.71
Less: Interest Expenses(Net)	-	<b>149.29</b>	<b>9,697.16</b>	<b>9,846.45</b>
	-	22.81	4,061.73	4,084.54
Profit before Extra Ordinary Items and Taxes	<b>19,772.07</b>	<b>203.58</b>	<b>(4,963.79)</b>	<b>15,011.86</b>
	12,575.31	392.98	(5,141.12)	7,827.17
Extra Ordinary Items	-		-	-
	-		-	-
Profit before Taxes	<b>19,772.07</b>	<b>203.58</b>	<b>(4,963.79)</b>	<b>15,011.86</b>
	12,575.31	392.98	(5,141.12)	7,827.17
Current Tax including fringe benefit tax	-		<b>3,736.93</b>	<b>3,736.93</b>
	-		1,896.72	1,896.72
Provision / (Withdrawn) of Deferred Tax	-		<b>1,330.44</b>	<b>1,330.44</b>
	-		248.75	248.75
Wealth Tax	-		<b>1.80</b>	<b>1.80</b>
	-		1.50	1.50
<b>Net Profit after Tax</b>	<b>19,772.07</b>	<b>203.58</b>	<b>(10,032.96)</b>	<b>9,942.69</b>
	12,575.31	392.98	(7,288.09)	5,680.20
<b>3 Other Information</b>				
Segment Assets	<b>217,080.82</b>	<b>6,704.67</b>	<b>26,636.69</b>	<b>250,422.18</b>
	151,273.17	6,543.20	16,719.62	174,535.99
Segment Liabilities	<b>45,174.07</b>	<b>180.09</b>	<b>4,764.17</b>	<b>50,118.33</b>
	63,042.83	10.94	1,318.34	64,372.11
Capital Expenditure	<b>20,373.09</b>	-	<b>771.08</b>	<b>21,144.17</b>
	28,784.66		1,182.83	29,967.49
Depreciation	<b>3,573.69</b>	-	<b>76.65</b>	<b>3,650.34</b>
	2,261.96		34.63	2,296.59
Non Cash Expenses Other than depreciation	<b>1,309.30</b>	-	-	<b>1,309.30</b>
	39.46	0.59	-	40.05

# Financial Statements

## B. SECONDARY BUSINESS SEGMENT

(Rs. In Lacs)

Particulars	Within India	Outside India	Total
1 Gross Revenue	<b>81,992.34</b>	<b>157,312.56</b>	<b>239,304.90</b>
	<i>31,605.55</i>	<i>81,082.91</i>	<i>112,688.46</i>
Less: Excise Duty	<b>7,920.39</b>	-	<b>7,920.39</b>
	<i>4,124.95</i>	-	<i>4,124.95</i>
Net Revenue	<b>74,071.95</b>	<b>157,312.56</b>	<b>231,384.51</b>
	<i>27,480.60</i>	<i>81,082.91</i>	<i>108,563.51</i>
2 Segment Assets*	<b>199,829.58</b>	<b>50,592.60</b>	<b>250,422.18</b>
	<i>135,073.85</i>	<i>39,462.14</i>	<i>174,535.99</i>
3 Segment Liabilities	<b>34,258.22</b>	<b>15,860.11</b>	<b>50,118.33</b>
	<i>39,951.58</i>	<i>24,420.53</i>	<i>64,372.11</i>
4 Capital Expenditure*	<b>21,144.17</b>	-	<b>21,114.17</b>
	<i>29,915.01</i>	<i>52.48</i>	<i>29,967.49</i>

\* The Company's operating facilities are located in India

### NOTE:

1 Figures in italics pertain to previous year.

2 Segments have been identified in line with AS on Segment Reporting (AS-17) taking into account the organisational structure, nature of product and differential risk and returns of these segments.

3. Total Unallocable Assets exclude

Investments

2,578.76

4. Total Unallocable Liabilities exclude

Secured Loans

67,128.78

Unsecured Loans

52,663.11

Deferred Tax Liability

5,988.21

## 24. Details of Pre-operative Expenses pending allocation on completion of the projects is as under :

Detail of Pre-operative Expenses	Current Year	Previous Year
Raw material	<b>5,445.59</b>	-
Power & Fuel	<b>554.69</b>	2.01
Salary, Wages & Other Benefits	<b>1,044.47</b>	449.52
Contribution to PF & other funds	<b>35.97</b>	17.60
Workman & Staff Welfare	<b>61.39</b>	36.66
Rent, rates and taxes	<b>8.73</b>	4.39
Travelling & Conveyance	<b>72.83</b>	90.33
Auditors Remuneration	<b>1.00</b>	-
Interest and bank charges	<b>1,271.12</b>	1,008.56
Miscellaneous Expenses	<b>889.83</b>	184.19
Depreciation	<b>19.08</b>	11.03
	<b>9,404.70</b>	1,804.29
Less:		
Government Grants	<b>22.96</b>	-
Sale value of goods produced during trial period	<b>2,891.77</b>	-
Inter unit transfer	<b>1,879.03</b>	-
	<b>4,610.94</b>	1,804.29
Add: Preoperative expenses brought forward	<b>1,672.48</b>	26.78
	<b>6,283.42</b>	1,831.07
Less; Capitalised during the year	<b>5,966.03</b>	158.59
Preoperative Expenses Carried Over	<b>317.39</b>	1,672.48

**CASH FLOW STATEMENT**

Description	For the year 2004-05 (Rs. In Lacs)	For the year 2003-04 (Rs. In Lacs)
<b>A. CASH INFLOW(OUTFLOW) FROM THE OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ACTIVITY	15,011.86	7,827.17
<b>Adjustments for Add/(Less)</b>		
Depreciation	3,650.34	2,296.59
Misc. expenses written off during the year	-	2.21
Other income (Dividend)	(473.04)	(246.82)
Interest Paid	8,157.49	3,648.01
Loss on sale of fixed assets	11.09	92.71
Foreign Exchange Fluctuation	326.15	-
Interest Received	(1,172.15)	(1,186.13)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	25,511.74	12,433.74
<b>Adjustments for:-</b>		
Inventories	(47,442.47)	(35,531.60)
Sundry debtors	7,693.24	(20,977.20)
Other current assets	(4,904.71)	(1,398.34)
Current liabilities	(16,693.14)	47,307.33
CASH GENERATED FROM OPERATIONS	(35,835.34)	1,833.93
Tax Paid	(2,999.24)	(3,414.70)
NET CASH FROM OPERATING ACTIVITIES	(38,834.58)	(1,580.77)
<b>B. CASH INFLOW/(OUTFLOW)FROM INVESTMENT ACTIVITIES</b>		
(Increase) / Decrease in Investment	(56.23)	(135.21)
Capital expenditure	(21,144.17)	(29,967.49)
Sale proceeds of fixed assets	61.91	59.37
Loan & Advances	(882.98)	427.82
Interest Received	1,309.56	1,296.92
Dividend Received	463.97	246.82
NET CASH INFLOW / (OUTFLOW)FROM INVESTING ACTIVITIES	(20,247.94)	(28,071.77)
<b>C. CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>		
Dividend paid including Tax	(1,087.55)	(1,084.20)
Interest paid	(8,804.35)	(3,137.74)
Proceeds from Eq. Share Cap. including Share Premium	28,555.11	
Share Issue Expenses	(1,251.58)	
Proceeds from Preference Share Capital	10,000.00	
Working Capital loans from banks	3,896.60	3,626.14
Increase / (Decrease) in secured loan	8,119.86	24,586.39
Increase / (Decrease) in fixed deposits	1,055.90	1,596.82
Increase / (Decrease) in unsecured loan	30,416.28	4,977.20
NET CASH INFLOW / (OUTFLOW) USED IN FINANCING ACTIVITIES	70,900.27	30,564.61
NET CHANGES IN CASH & CASH EQUIVALENT	11,817.75	912.07
Opening cash and cash equivalent	3,446.84	2,534.77
Closing cash and cash equivalent	15,264.59	3,446.84

NOTE: 1. Increase in secured and unsecured loans are shown net of repayments.  
2. Purchase of fixed assets includes movements of Capital Work-in-progress between the beginning and end of the year.  
3. Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached.

**N.C. Aggarwal**

Partner

M.No. 05951

For & on behalf of

**N.C. AGGARWAL & CO.**

Chartered Accountants

Place : New Delhi

Dated : 22nd November, 2005

**Savitri Devi Jindal**

Chairperson

**H.S. Chaudhary**

Wholetime Director

**Sunil Jain**

Company Secretary

**P.R. Jindal**

V. Chairman

**Neeraj Kumar**

Director (Finance) & CFO

**A.J.A. Tauro**

**Dr. S.K. Gupta**

**Kuldip Bhargava**

Directors

## Key Financial Indicators

(Rs. In lacs except as otherwise stated)

	2004-05 12 Months	2003-04 12 Months	2002-03 12 Months	2001-02 15 Months	2000-01 12 Months
<b>INCOME STATEMENT</b>					
Gross Sales & Other Income	240,726.35	112,931.44	80,699.08	75,731.18	40,373.76
Net Sales	232,805.96	108,806.49	69,502.67	74,994.73	36,793.16
Operating Profit (PBIDT)	28,160.20	13,804.22	16,094.63	13,183.85	10,245.60
Profit After Tax (PAT)	10,073.26	5,624.16	7,607.69	4,233.73	2,934.91
Cash Profit	13,615.42	7,812.49	9,450.16	6,398.00	4,428.13

### BALANCE SHEET

Gross Block	83,089.32	47,668.46	40,696.69	35,122.49	34,132.92
Net Block	63,901.60	32,445.42	27,931.78	24,575.94	25,557.25
Share Capital					
– Preference	10,000.00	–	–	750.00	1,500.00
– Equity	4,711.47	3,897.97	3,897.97	3,897.97	3,897.97
Net Worth	84,746.47	39,986.22	35,820.04	30,511.38	32,506.99
Borrowings	99,769.49	56,422.08	21,118.08	22,562.62	23,886.11

### SIGNIFICANT RATIOS

Operating Profit to Net Sales	12.10	12.69	23.16	17.58	27.85
Debt Equity Ratio	1.18	1.41	0.59	0.74	0.73
Return on Capital Employed	10.26	12.02	18.62	18.82	13.83
Return on Net Worth	11.89	14.07	21.24	13.88	9.03

### PER EQUITY SHARE (in Rs.)

Book Value (Rs.)	158.65	102.58	91.90	76.35	79.54
EPS (Rs.)	25.62	14.43	19.41	10.32	6.91
Dividend Rate	40%	25%	25%	15%	10%

In the year 2001-02 Book Value reduced due to Rs. 4,528.41 lacs transferred to Deferred Tax Liability

# Key Executives



**Neeraj Kumar**  
Director-Finance & CFO



**K. Chandrayya**  
Director-Works IPU



**H.S. Bedi**  
Director-Technical



**O.P. Sharma**  
President-Marketing



**Sunil Trehan**  
President-Spun Pipes



**V.S. Konnur**  
President & CEO-Seamless Div.



**Vikram Puri**  
Vice President-Corp. HR

# Board of Directors

Smt. Savitri Devi Jindal  
Chairperson

Shri P.R. Jindal  
Vice Chairman

Ms. Sminu Jindal  
Managing Director



Shri Purshottam Lal



Shri A.J.A. Tauro



Shri Devi Dayal  
IAS Retd.



Shri Kuldip Bhargava



Dr. S.K. Gupta



Shri H.S. Chaudhary  
Whole Time Director



Smt. Savitri Devi Jindal  
Chairperson



Shri P.R. Jindal  
Vice Chairman



Ms. Sminu Jindal  
Managing Director



Shri Indresh Batra  
Vice Chairman, U.S. Operations