Report on the results for the fourth quarter ended 31st March 2006

JSW Steel Limited

April 2006

Our Values

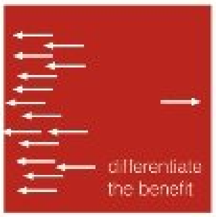
Our corporate values guide our approach to our work and environment, which transforms the way we deliver our products and services.

Young thinking is crystal clear

Openness and transparency above all else. Be it in our transactions, our operations or our interactions with our stakeholders.

Young thinking fosters leadership

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



Young thinking is unique

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

Young thinking is for winners

To innovate, to benchmark, to strive and to deliver value beyond expectations.

Highlights for the quarter

- Crude steel output .596 mn ton, up by 6%
- Galvanised product output .213 mn ton, up by 16%
- Debt equity ratio reduces to 0.96:1
- Interest cost reduced by 25%
- Debt repayment of Rs. 2.38 bn

Highlights for the year

- Crude steel output 2.25 mn ton, up by 20%
- Hot Rolled Coil output 2.148 mn ton, up by 20%
- Interest cost reduced by 23%
- Weighted average cost of debt 8.01% vs. 8.27% in FY 2004-05
- Debt repayment of Rs. 10.14 bn
- EBIDTA margin 27.55%

Key ratios

	As on 31st March 2006
ROCE	20.99%
ROE	26.33%
Cash EPS (In Rs.)	110.20
Book Value Per Share (In Rs.)	240.36
Market Value Per Share (In Rs.)	302.70

Growth Initiatives

- Capacity expansion up to 3.8 mtpa to be commissioned by June - July 2006
- 1.0 mtpa Cold Rolling Mill Complex to be commissioned by March 2007
- Capacity expansion up to 6.8 mtpa by March 2009

JSW Steel Limited

Registered Office: Jindal Mansion, 5A, Dr. G. Deshmukh Marg, Mumbai - 400026.

'Audited Financial Results for the Year ended 31st March, 2006

Highlights for the year

Crude Steel Output 22.5 lacs tonnes - Up by 20%	Debt Equity Ratio 0.96	Galvanized Product Output 7.8 lacs tonnes - Up by 14%
Interest Cost Reduced by 23%	Equity Dividend 80%	Debt Repayment Rs. 1014 crores

(Rs. in crores)

Sr. No.	Particulars	Unaudited Nine months Ended 31.12.2005	Three Months Ended 31.03.2006	Three Months Ended 31.03.2005	Year Ended 31.03.2006	Audited Previous Year Ended 31.03.2005
1	Gross Sales					
	a) Domestic Sales	3252.51	1203.83	983.43	4456.34	3742.06
	b) Export Sales	1778.67	531.08	1308.88	2309.75	3293.84
	Total	5031.18	1734.91	2292.31	6766.09	7035.90
2	Less: Excise Duty	434.32	151.67	109.49	585.99	356.54
3	Net Sales/Income from Operations (1-2)	4596.86	1583.24	2182.82	6180.10	6679.36
4	Other Income	8.91	374.05	9.57	382.96	18.98
5	Total Expenditure	3267.50	1166.49	1319.64	4433.99	4332.51
	a) (Increase) /Decrease in Stock in Trade	(185.42)	46.13	36.04	(139.29)	(43.31)
	b) Consumption of Raw Materials	2377.66	742.83	857.04	3120.49	2892.19
	c) Power and Fuel	301.99	113.77	131.69	415.76	541.57
	d) Staff cost	92.94	34.10	35.20	127.04	107.21
	e) Other Expenditure	680.33	229.66	259.67	909.99	834.85
6	Profit before Interest, Depreciation, Exceptional items and Taxation (3+4-5)	1338.27	790.80	872.75	2129.07	2365.83
7	Interest	278.77	81.55	108.05	360.32	469.87
8	Cash Profit (6-7)	1059.50	709.25	764.70	1768.75	1895.96
9	Depreciation	304.31	101.51	90.55	405.82	359.54
10	Miscellaneous Expenditure Written Off	46.21	15.58	14.82	61.79	60.48
11	Profit before Exceptional items & Taxation (8-9-10)	708.98	592.16	659.33	1301.14	1475.94
12	Exceptional Items	-	-	-	-	(3.33)
13	Profit before Taxation (11+12)	708.98	592.16	659.33	1301.14	1472.61
14	Provision for Taxation:					
	(a) Current Tax (Minimum Alternate Tax)	41.68	37.82	34.85	79.50	74.50
	(b) Deferred Tax Liability	253.13	180.48	220.34	433.61	528.00
	(c) Fringe Benefit Tax	2.24	1.00	-	3.24	-
	(d) Minimum Alternate Tax Credit Entitlement	(41.68)	(37.82)	-	(79.50)	-
15	Profit after Tax (13-14)	453.61	410.68	404.14	864.29	870.11
16	Tax Adjustment for earlier year	7.76	-	-	7.76	-
17	Net Profit (15-16)	445.85	410.68	404.14	856.53	870.11
18	Paid up Equity Share Capital (face value of Rs. 10 per share)	147.03	156.98	129.04	156.98	129.04
19	Reserves excluding revaluation reserve				3555.12	2329.97
20	Earnings per share (EPS) (before Exceptional items - net of tax)					
	Basic - (Rs.)	28.86	25.97	30.70	55.57	65.12
	Diluted (Rs.)	27.02	25.97	28.19	55.57	59.78
21	Earnings per share (EPS) (after Exceptional items - net of tax)					
	Basic - (Rs.)	28.86	25.97	30.70	55.57	64.98
	Diluted (Rs.)	27.02	25.97	28.19	55.57	59.66
		-----(Not Annualised)-----				
22	Aggregate of Non-promoter shareholding					
	- No. of shares	83288840	86438435	63878414	86438435	63878414
	- Percentage of shareholding	56.64%	55.06%	49.50%	55.06%	49.50%

Notes:

1. The above audited results reviewed by the Audit Committee, have been taken on record at the meeting of the Board of Directors held on 19th April, 2006.
2. The Board of Directors proposed dividend @ 10% on Cumulative Redeemable Preference shares amounting to Rs. 27.90 crores and Dividend on Equity shares @ 80% amounting to Rs. 125.58 crores, subject to the approval of members at the Annual General Meeting.
3. During the quarter, the Company has disinvested the shares of JSW Energy Ltd. (JSWEL) in favour of an associate company for a consideration of Rs.513.70 crores to be received within a period of one year from the date of sale. The profit of Rs.369.20 crores on sale of these shares is included in "other income".
4. Paid up equity share capital does not include an amount of Rs. 61.05 crores being the amount originally paid up on the shares forfeited earlier.
5. Information on investor complaints (numbers): Pending at beginning of the quarter:32; Received during the quarter:2051; Resolved/replied during the quarter:2058; Unresolved at the end of the quarter:25, since resolved.
6. As the Company is primarily engaged in the segment of "Iron and Steel Products", there are no other reportable segments as per Accounting Standard (AS) 17.
7. In view of amalgamation of Euro Ikon Iron & Steel Private Limited (Euro Ikon), Euro Coke & Energy Private Limited (Euro Coke) and JSW Power Limited (JPL) with the Company w.e.f. 1st April, 2005, the figures for the nine months ended 31st December, 2005 and figures for the quarter / year ended 31st March 2006 include the figures of erstwhile Euro Ikon, Euro Coke and JPL and hence, are not comparable with the figures of the corresponding periods.
8. Previous periods' figures have been regrouped / rearranged wherever necessary.

Performance analysis

Production

The Company witnessed a crude steel output of .596 mn ton in Q4, which is up by 6% year on year. For the FY 2005-06 the crude steel output was 2.25 mn ton, up by 20% as compared to FY 2004-05. (Refer chart 1 & 2):

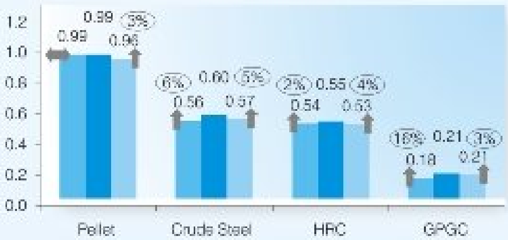


Chart 1- Quarterly Production (MnT)

Chart 2- Annual Production (MnT)

Sales

The sales for pellets stood at .118 mn ton for Q4, down 57% year on year. Company's internal consumption of pellets increased owing to incremental crude steel output, consequently the quantity of pellets available for sale was reduced.

The HR coil sales were .312 mn ton for Q4, down 9% year on year. The company has planned a 32-day shut down in the HR Mill, starting from 10th April, which would increase our HR capacity from 2 mtpa to 2.5 mtpa. Considering this the HR Coils inventory for our down stream consumption during this shut-down period has been increased. This has led to a reduced quantity of HRC available for sales during the quarter.

Galvanized products sales volume for Q4 was .221 mn ton, up by 19% year on year.

The annual sales in FY 2005-06 of Hot Rolled Coil and Galvanised Plain / Galvanised Corrugated has increased by 13% and 12% respectively. (Refer chart 3 & 4):

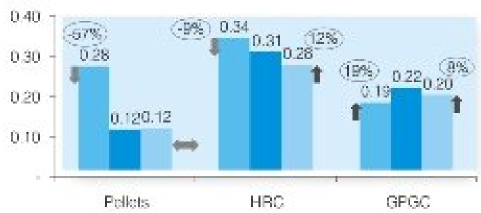


Chart 3- Quarterly sales Volume (MnT)

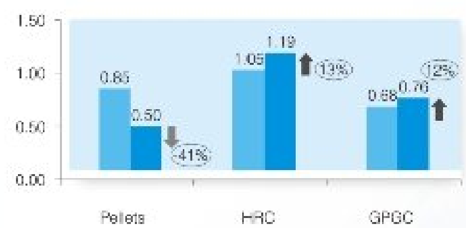


Chart 4 - Annual Sales Volume (MnT)

Quarterly Financials

The Net realisation during the quarter for Hot Rolled Coil was down by 5% and for Galvanised Plain / Galvanised Corrugated was up by 1%. The gross sales value for the quarter was Rs. 17.35 bn vs. Rs. 16.43 bn in the previous quarter (6% growth) and net sales were Rs.15.83 bn vs. Rs. 15.18 bn in the previous quarter (4% growth).

Despite falling sales realizations, the company has shown good performance due to volume growth and cost efficiencies.

Earnings before Interest, Depreciation and Tax in the current quarter were Rs.7.908 bn as compared to Rs.4.381 bn in the previous quarter (81% growth). The cash profit stood at Rs. 7.093 bn recording a growth of 103% over the previous quarter. Profit before tax was Rs.5.922 bn as against Rs.2.308 bn in the previous quarter. Net profit for this quarter stood at Rs.4.107 bn compared to Rs.1.392 bn in the previous quarter (growth of 195%).

The EBIDTA for the quarter includes a sum of Rs.3.692 bn in respect of the profit on sales of Investments and the impact of the same in the net profit is Rs. 2.701 bn. Similarly, the results for the 3rd quarter (previous quarter) included an amount of Rs.793 mn on account of incremental export benefits pertaining to earlier years, the licences for which were received in the last quarter, post adjustment for the same the company has shown a growth of 17.5% in its absolute EBIDTA. There has been an improvement in EBIDTA margins by 1.69% to 26.63% for Q4 as compared to Q3.

The company repaid debt to the tune of Rs.2.38 bn during 4th quarter of 2005-06. and reduced its Debt Equity ratio to 0.96:1 as on 31st March 2006. The interest cost has reduced by 25% as compared to the corresponding quarter of the previous year and by 9% in comparison with the previous quarter.

Annual Financials

Earnings before Interest, Depreciation and Tax in the FY 2005-06 were Rs.21.291 bn as compared to Rs.23.658 bn in the previous year. The EBIDTA (excluding the non-recurring items) mentioned above is Rs. 16.806 bn which is 27.55% of net sales (34.45% including non recurring items). The cash profit stood at Rs. 17.688 bn. Profit before tax was Rs.13.011 bn as against Rs.14.726 bn in the previous year. Net profit for this year stood at Rs.8.565 bn, 13.87% of net sales, compared to Rs.8.701 bn, 13.03% of net sales in the previous year.

The company repaid debt to the tune of Rs.10.14 bn in the FY 2005-06. The weighted average cost of debt has come down to 8.01% from 8.27% in FY 2004-05. Interest cost has reduced by 23% as compared to the previous year.

Summary Balance sheet as on 31st March, 06 **(Rs. in Million)**

Sources of funds	Amount	Application of funds	Amount
Share holders' funds (net)	40520	Net Fixed assets	83800
Long term loan funds	38770	Investments	850
Short term loan funds	2190	Net current assets	4250
Deferred tax liability	7420		
Total	**88900**	**Total**	**88900**

Market Scenario:

This quarter was an eventful one for the steel Industry and brought along additional cheer on the price front.

The production cut that we spoke about in our last quarterly report, continued in this quarter also, thereby reflecting the increased maturity level of the Industry. (Refer chart 5 & 6):

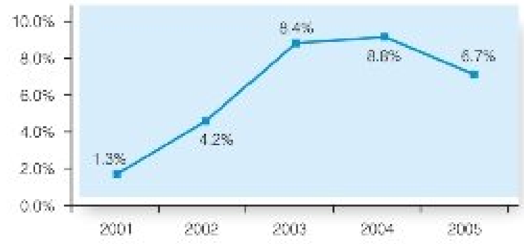


Chart 7 (Source - IISI)

Chart 5 (Source - IISI)

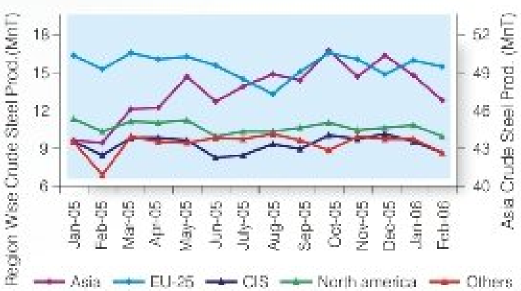


Chart 6 (Source - IISI)

The theme of consolidation within the Industry has been gaining ground. The market control of the top 15 has gone up to 33% in 2004 from 19% in 1988 (Refer Chart 8):

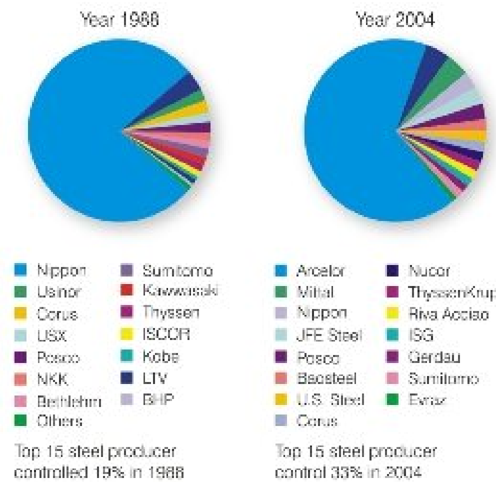
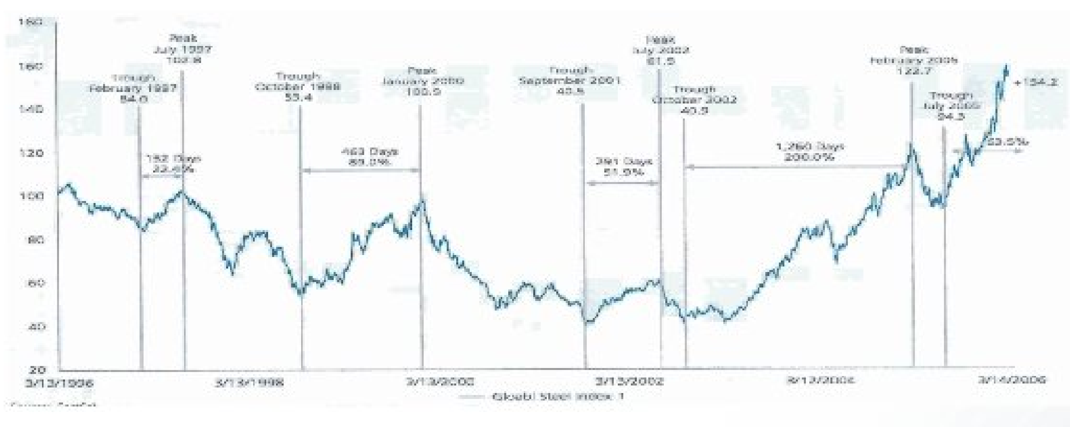


Chart 8 (Source Industry)

The Industry saw a remarkable growth in real demand for the year ended December 2005, pegged at 6.7% (Refer chart 7):

This consolidation move has helped reduce the trough periods and increased the up cycle periods in the steel cycle. (Refer chart 9):



Sector's recent performance since 2002 is the longest up cycle in the past decade

Note: 1 Includes Algoma, AK Steel, Chaparral Steel, Dofasco, IPSCO, Mittal Steel, Nucor, Oregon Steel, Steel Dynamics, US Steel, Wheeling-Pittsburgh, CSN, CST, Gerdau SA, Ternium, Usimina, Arcelor, Corus Group, Rautaruuki, Salzgitter, SSAB, Thyssenkrupp, Voestalpine, Baosteel, China Steel, JFE, Kobe Steel, Nippon Steel, POSCO and Sumitomo

Chart 9 (Source UBS)

Market Scenario:

This quarter was an eventful one for the steel Industry and brought along additional cheer on the price front.

The production cut that we spoke about in our

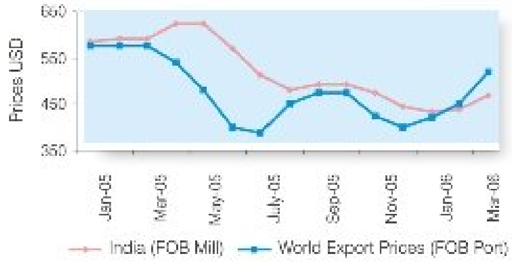


Chart 10 (Source IISI)

last quarterly report, continued in this quarter also, thereby reflecting the increased maturity level of the Industry. (Refer chart 5 & 6):

The Industry saw a remarkable growth in real demand for the year ended December 2005,

Chart 11 (Source UBS)

pegged at 6.7% (Refer chart 7):

The theme of consolidation within the Industry has been gaining ground. The market control of the top 15 has gone up to 33% in 2004 from 19% in 1988 (Refer Chart 8):

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This quarter saw an upswing in steel prices all over

Chart 12 (Source Economic Survey)

the world and India followed suit. In our view this price rise is a fall out of fundamentally strong world economic growth leading to a growing steel demand. (Refer Chart 10):

Though the absolute price rise has been significant (peaking in 2004 and reaching the $ 750 mark), the inflation adjusted prices show that the current prices are significantly lower than the peak reached earlier. (Refer Chart 11):

Note: Prices adjusted to 2004 USD using CPI Inflation Index

Recent past has seen a shift in demand from West to East mainly driven by China. India being a developing country has a potentially high demand, with Indian infrastructure standing at he foothills of a decade of sustained investment. Some of the sectors are National Highways, Ports, Airports, Railway, Power and Urban Transportation. (Refer chart 12).

The infrastructure sector as a whole, has a potential to absorb FDI of US$ 150 bn over the next 4-6 years.

The Indian growth story discussed above seems to be the steel growth story as well.

Ongoing Expansions

The 3.8 mtpa expansion

The 3.8 mtpa expansion is on stream and the current status is as follows:

- The converter trails are complete, lining work has started and, it will be commissioned by the end of April 2006.
- The Coke Oven commissioning has begun and

capacity of 1 mtpa, involving a total cost of Rs. 10 bn, is progressing well on schedule. Of the 1 mtpa capacity of the CRM, 0.6 mtpa would be dedicated to the production of auto grade CR and the rest to be equally split in CR Full hard and HR Pickled / Oiled and Slit (0.2 mtpa each).

Once the CRM is on stream by March 2007, our value added product capacity will go up from current 38% to 53% of our total crude steel making capacity.

The 6.8 mtpa expansion

The next phase of expansion, which will push our capacity from 3.8 mtpa to 6.8 mtpa, is already underway. The orders for preliminary equipments like Blast furnace and Sinter Plant have already been placed. The process of land leveling has begun. Total estimated cost for the project is Rs. 50 bn, out of which Rs. 20 bn would be funded from equity / internal accruals and Rs. 30 bn would be funded through borrowings.

Fund Raising / Rights Issue:

The Board of Directors at their meeting held on 20th January 2006 had approved the Right Issue up to Rs.4 bn with attached warrants. Draft Letter of Offer has been submitted to Securities & Exchange Board of India (SEBI) and Stock Exchanges for necessary clearances.

Considering the upturn in the market Board of Directors has decided to consider a comprehensive plan for raising additional sources of money through ADR / GDR / FCCB including Rights Issue with warrants.

It may be recalled that the shareholders at the meeting held on 13.6.2005 had approved to raise resources through GDR/ADR/FCCB up to USD 500 million. The Board of Directors will take a final decision on mode of fund raising by next board meeting.

Other Developments:

Sale of Investments in JSW Energy:

The company has disinvested the equity share held in JSW Energy Ltd. to Samarth Holdings Private Ltd., one of the associate companies for a total consideration of Rs.5.137 bn based on independent Valuer's report. The profit from sale of these shares amounting to Rs.3.692 bn is included in the 'Other Income' and the Net profit for the year includes Rs.2.701 bn on account of these disinvestments. The sale consideration is payable within 12 months from the date of sale. However, the company has a lien on these shares until the receipt of sales consideration and this lien is subservient to the existing lien in favour of the lenders of JSW Energy Ltd.

Investment of Rs.124.80 crores in Special Purpose Vehicle (SPV):

The power requirement of the steel plant upto 3.8 mtpa will be met by the existing captive power plant of 230 MW. When the expansion plans of the company to increase the capacity to 6.8 mtpa fructifies by March 2009, the power requirement will go up by another 250 MW. In order to ensure the availability of power at competitive rate, it is proposed to invest in a SPV promoted by JSW Steel Ltd., & JSW Energy Ltd. to setup 500 MW power plant at Vijayanagar. This will involve a total cost of Rs.16 bn, intended to be financed Rs.4.8 bn by way of equity and the balance Rs.11.20 bn by way of debt in the SPV. JSW Steel will participate in the equity of the SPV to the extent of 26% amounting to Rs.1.248 bn and the balance will be contributed by JSW Energy Ltd.

Dividend Declaration:

Considering the financial performance during the year 2005-06, the Board of Directors has recommended a dividend of Rs.8 per share (80%) for the fiscal year 2006 amounting to Rs.1.256 bn. The Board has also recommended dividend at the stipulated rate of Rs.1 per share (10%) on the Cumulative Redeemable Preference Shares of Rs.10/- each for the year 2005-06 amounting to Rs.279 mn.

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The Industry saw a remarkable growth in real demand for the year ended December 2005, pegged at 6.7% (Refer chart 7):

The theme of consolidation within the Industry has been gaining ground. The market control of the top 15 has gone up to 33% in 2004 from 19% in 1988 (Refer Chart 8):

Item	Production (MTPA) Actual 2005-06	Production (MTPA) Estimate 2006-07	Growth (%)
Pellets	3.802	4.494	18.2
Crude Steel	2.250	3.126	38.9
HR Coils	2.148	2.264	5.4
HR Plates	0.086	0.280	Recommissioning
CRCA	0.071	0.077	8.5
Galvanised Coils	0.782	0.850	8.7
Colour Coated	0.012	0.075	New Line

This consolidation move has helped reduce the trough periods and increased the up cycle periods in the steel cycle. (Refer chart 9):

This quarter saw an upswing in steel prices all over the world and India followed suit. In our view this price rise is a fall out of fundamentally strong world economic growth leading to a growing steel demand. (Refer Chart 10):

Though the absolute price rise has been significant (peaking in 2004 and reaching the $ 750 mark), the inflation adjusted prices show that the current prices are significantly lower than the peak reached earlier. (Refer Chart 11):

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The infrastructure sector as a whole, has a potential to absorb FDI of US$ 150 bn over the next 4-6 years.

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The 3.8 mtpa expansion

The 3.8 mtpa expansion is on stream and the current status is as follows:

- The converter trails are complete, lining work has started and, it will be commissioned by the end of April 2006.
- The Coke Oven commissioning has begun and will be completed by May 2006.
- The Sinter plant erection is in full swing and cold trails would start in May 2006.
- The production of the Blast Furnace, which has already been commissioned, is expected in June 2006.
- Caster equipment erection & piping is progressing. This will be completed in June - July 2006.
- In order to facilitate the expansion of our Hot Strip Mill from 2 mtpa to 2.5 mtpa we have taken a 32-day shutdown from 10th April onwards.

The completion of the aforesaid expansion project will bring significant volume growth in company's steel making capacity.

Cold Rolled Mill Complex:

The next step towards further value addition in the product profile is underway and a state of the art Cold Rolling Mill Complex (CRM) with a capacity of 1 mtpa, involving a total cost of Rs. 10 bn, is progressing well on schedule. Of the 1 mtpa capacity of the CRM, 0.6 mtpa would be dedicated to the production of auto grade CR and the rest to be equally split in CR Full hard and HR Pickled / Oiled and Slit (0.2 mtpa each).

Once the CRM is on stream by March 2007, our value added product capacity will go up from current 38% to 53% of our total crude steel making capacity.

Forward looking and cautionary statement

Certain statements in this report concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Steel Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for steel, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which the Company has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry

JSW Steel Limited

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