

HINDALCO INDUSTRIES LTD.

ADITYA BIRLA GROUP



HINDALCO

MIND YEARS AHEAD

ANNUAL REPORT - 1997-98

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

CONTENTS	Page No.
Board of Directors & Key Executives	1
Homage to Shri Aditya Vikram Birla	2
Chairman's Message	4
"Aditya Birla Group" in Perspective	5
Notice to Shareholders	9
Directors' Report	13
Social Report	27
Financial Highlights	29
Auditors' Report	32
Accounts & Schedules	34
Minerals & Minerals Limited	58
Renuka Investments & Finance Limited	68
Renukeshwar Investments & Finance Limited	73

REGISTERED OFFICE

'Century Bhavan' 3rd Floor,
Dr. Annie Besant Road,
Mumbai-400 025.
Phone No. (022)- 4308491-3
Fax No. (022)-4227586

PRINCIPAL OFFICE & WORKS

P.O. Renukoot- 231217
Dist. Sonbhadra, U.P.
Phone No. (05446)-52077-9
Fax No. (05446)-52107

RENUSAGAR POWER DIVISION

P.O. Renusagar
Dist. Sonbhadra, U.P.
Phone No. (05446)- 72501-5
Fax No. (05446)-72382

ADITYA ALUMINIUM PROJECT

Hindalco Industries Ltd.
IDCO Towers, 9th Floor, Janpath,
Bhubaneshwar. 751007,
Phone No. (0674)- 521683,
Fax No. (0674)- 521684

FOIL DIVISION

Hindalco Industries Ltd.
Village Khutli, Khanvel,
Silvassa-396230
(U.T. of Dadar & Nagar Haveli) India
Phone No. (02638)- 47221
Fax No. (02638)- 42936

BOARD OF DIRECTORS**Shri Kumar Mangalam Birla***Chairman***Smt. Rajashree Birla****Shri G.D. Binani****Shri T.C. Saboo****Shri T.K. Sethi****Shri C.M. Maniar****Shri E. B. Desai****Shri S.S. Kothari****Dr. P.D. Ojha****Shri D. Swaminathan****Shri P.K. Daga****Shri M.M. Bhagat****SPECIAL ADVISER****Shri D.P. Mandelia****PRESIDENT & MANAGER****Shri A.K. Agarwala****KEY EXECUTIVES****Shri K.K. Rathi***Joint President (Administration)***Shri O.S. Choudhary***Joint President (Reduction Plant)***Shri G.C. Mehta***Joint President (Engineering)***Shri R.K. Kasliwal***Joint President (Finance & Commerce)***Shri K.G. Biyani***Joint President (Engineering)***Shri D.N. Himmatramka***Joint President (Material Resources)***Shri S.M. Lakhota***Joint President (Management Services)***Shri S.K. Tiwari***Joint President (Power)***Miss N. Chainani***Jt. Executive President
(Corporate Affairs & Development)***Shri S.P. Shorewala***Senior Vice-President (Sales)***Shri K.N. Srivastava***Senior Vice-President (Legal)***Shri B.K. Verma***Senior Vice-President (Public Relations)***Shri Pushpendra Singh***Senior Vice-President (Sales, Eastern Zone)***Shri Ramesh Kumar***Senior Vice-President (North Zone)***Shri S.S.P. Sinha***Vice-President (Project)***Shri B.K. Agarwal***Vice-President (Fab. Production)***Shri R.V. Singh***Vice-President (Fab. Production)***Shri S.L. Taneja***Vice-President (Engineering)***Shri V.K. Mushran***Vice-President (Sales, Central Zone)***Shri V.K. Agarwal***Vice-President (R & D)***Shri Rajeshwar Dayal***Vice-President (Projects)***Shri U.K. Chaubey***Vice-President (HRD)***Shri S.B. Maheshwari***Vice-President (Materials)***Shri V.S. Surana***Vice-President (Reduction Technical)***Shri R.P. Shah***Vice-President (Alumina Plant)***Shri A.K. Karmakar***Vice-President (Boiler & Co-generation)***Shri S.N. Sharma***Vice-President (Finance & Accounts)***Shri Panyam Srinath***Vice-President (Projects)***Shri R.P. Tiwari***Vice-President (Construction)***Shri S.C. Tandon***Vice-President (Pot Room Operation)***RENUSAGAR POWER DIVISION****Shri G.S. Khurana***Joint President (Renusagar Power Plant)***Shri S.M. Kejriwal***Senior Vice-President (Finance & Commerce)***Shri Ajey Srivastava***Vice-President (Operation & Planning)***Shri S.R. Gopal***Vice-President (Design)***Shri P.V. Rao***Vice-President (Operation)***FOIL DIVISION****Shri J.D. Mehta***Senior Vice President (Foil Marketing)***Shri Prabir Das***Vice-President (Foil Plant)***ADITYA ALUMINIUM PROJECT****Dr. S.K. Tamotia***President (Aditya Aluminium Project)***Shri C.B. Agarwal***Vice President (Project)***COMPANY SECRETARY****Shri Anil J. Jhala***Vice-President (Company Matters)***SOLICITORS****Mulla & Mulla & Craigie Blunt
& Caroe, Mumbai****Khaitan & Co., Calcutta****Khaitan & Partners, New Delhi****AUDITORS****Singhi & Co.***Chartered Accountants, Calcutta***COST AUDITORS****R. Nanabhoy & Co., Mumbai****BANKERS****UCO Bank****State Bank of India****Allahabad Bank****American Express Bank Ltd.****Bank of America****Citibank N.A.****ANZ Grindlays Bank p.l.c.****ABN Amro Bank N.V.****Union Bank of India**

THE ADITYA BIRLA GROUP
MIND YEARS AHEAD



SHRI ADITYA BIRLA

A year ago, in homage to the legendary Shri Aditya Birla, we consolidated all our Companies under the umbrella of the Aditya Birla Group.

Our Corporate logo 'Aditya', the Rising Sun-universal, dynamic, all-pervading, never failing, sought to capture the spirit of our founder. Symbolizing a commitment to quality, to energetic performance, to perfection, to warmth in stakeholder relationships.

This common philosophy binds all of our Group Companies. Our new Company logo is an expression of our pride in belonging to the Aditya Birla Group. Importantly, it is a reaffirmation of our commitment to Shri Aditya Birla's vision, his values, his management style. For these have contributed enormously in placing our Group in the pre-eminent position we are in today.

A visionary, Shri Aditya Birla was the first to set up Indian multinationals overseas. Long before the word 'globalization' came into our everyday lexicon, he had foreseen the winds of change and staked the future of his business on a competitive, free-market driven economic order. At a time when India's economy was glued with bureaucracy and taped with controls, his was a rather lone voice. It was a voice that not only spoke, but also acted decisively and with conviction.

For him, though, globalization meant more than just geographic reach. He believed that a business could be global even whilst being based in India. Therefore, back in his home territory, he drove single-mindedly to put together the building blocks to make our Indian businesses a global force.

His work was anchored in a deeply-held set of values. He believed intrinsically in the potential of the individual, giving them space and boosting their confidence. He believed in delegating and in empowering competent people, long before these became

"We are not afraid of competition; let competition be afraid of us."

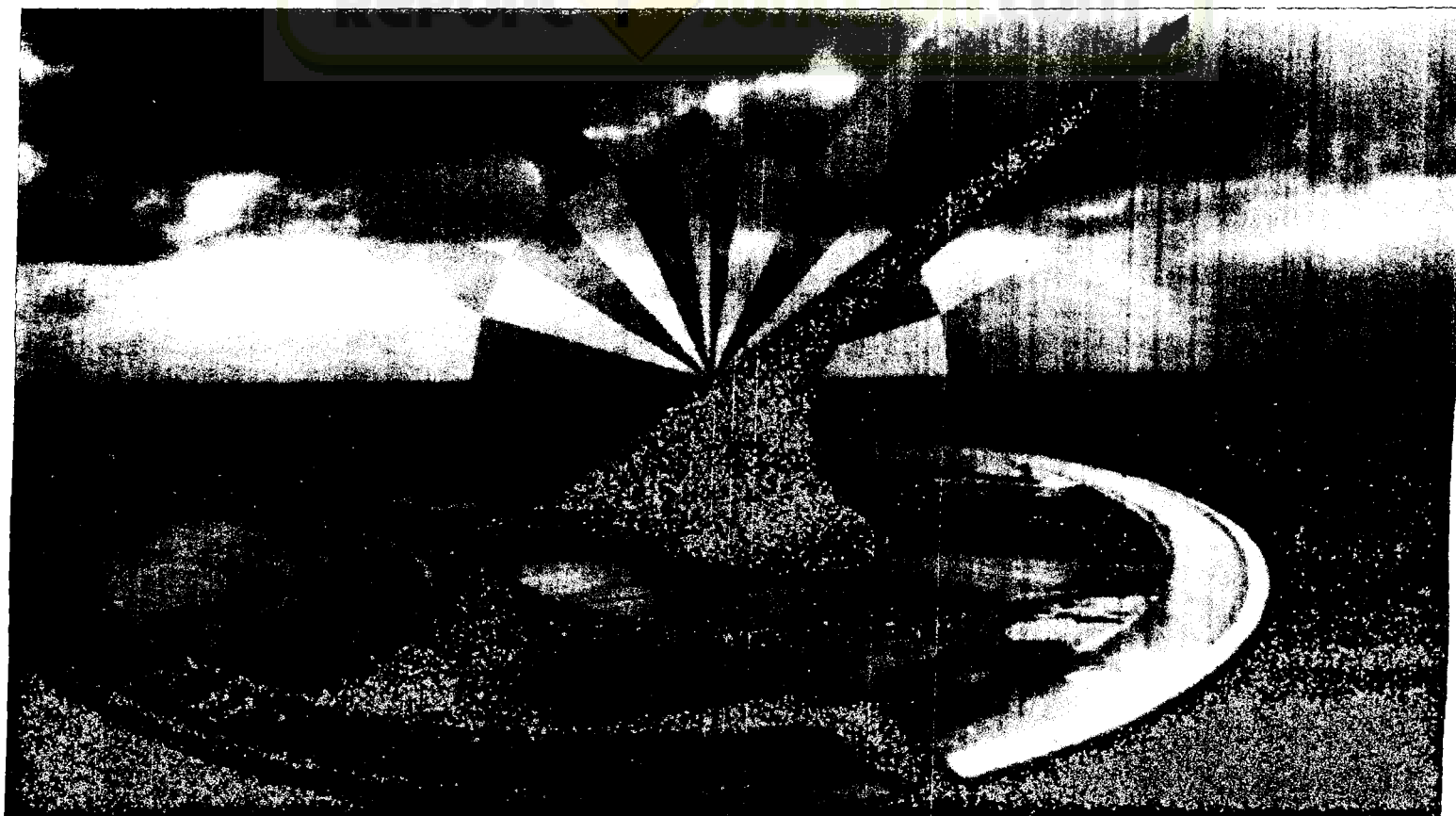
management buzz words.

A tremendous lateral thinker, he could put things in the right context, distil and retain only that which could add value.

Shri Aditya Birla was a man with tremendous foresight. A man who could take a visionary view of the future, understand how a company would need to adapt itself to the changing scenario. A man with the courage to act upon his convictions. A man with a mind that was years ahead of others.

These are the qualities that all of us at the Aditya Birla Group have imbibed from him. They form the basis of our business. By thinking forward and being proactive, the Aditya Birla Group stays 'mind years ahead' of the competition.

"Let us be partners in the prosperity that India offers, in the globalisation of Indian industry."



TOWARDS THE NEXT MILLENNIUM



MR. KUMAR MANGALAM BIRLA

The coming new millennium will bring with it, new challenges and expectations. At the Aditya Birla Group, we already have our sights firmly focussed on the future. We aim to capitalise on our strengths to remain at the core of the core sector in India and expand our global presence.

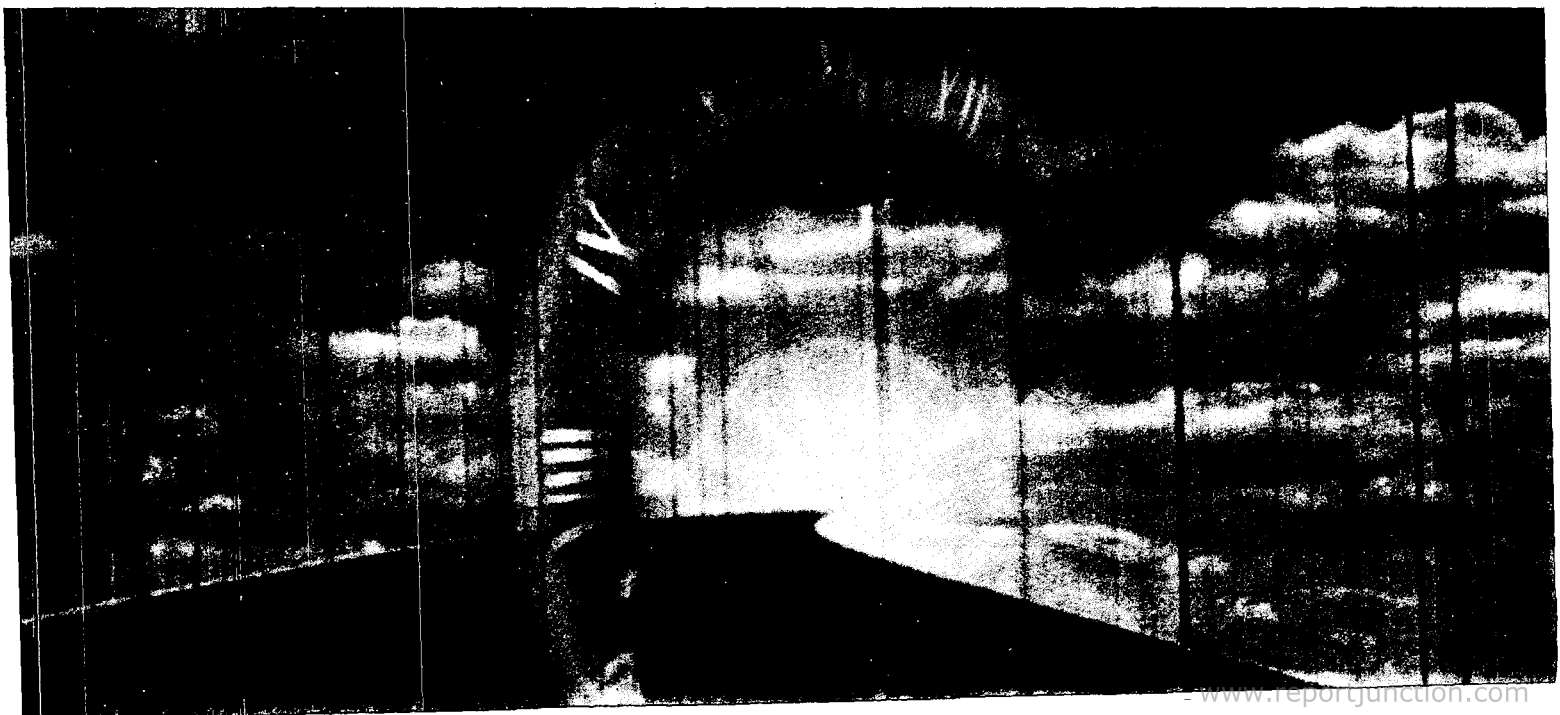
With a commitment to enhance long-term shareholder value:

- *We will retain and build on our leadership in our existing core businesses.*
- *With our customers at the top of our minds, we anticipate their needs in order to create new markets.*
- *We continuously upgrade the quality of our products and services, by using the latest technological advances, to create growth through partnership with our customers.*
- *We constantly hone our skills in continuous improvement, cost reduction and knowledge integration.*
- *We build linkages forward and backward to gain control over critical inputs and to enhance our focus on value-added products.*
- *We use our strengths to seize emerging opportunities in key core sectors.*
- *We aim to develop a clear sustainable advantage to be a dominant player in our new business ventures.*
- *Our benchmark is the world's best.*

The key to our success in these endeavours lies in the strength of our human resources. We have in place the right people in the right positions. We have set in motion, new people development processes to help our people reach optimum levels of performance. Because, we believe, as our people grow, the Aditya Birla Group grows.

*Kumar Mangalam Birla,
Chairman, Aditya Birla Group.*

"A leader leads by personal example, creating a team, delegating responsibility and choosing the right man for the right job."



THE ADITYA BIRLA GROUP
COMMITTED TO DELIVER VALUE FOR ITS
CUSTOMERS, INVESTORS, SHAREHOLDERS AND EMPLOYEES

Since 1947, the Aditya Birla Group has been committed to the future of India. Its quality products and commodities reach out to the core sector. In industries such as Aluminium, Cement, Viscose Staple Fibre, Viscose Filament Yarn, Caustic Soda, Pulp, Chemicals, Fertilisers, Sponge Iron, Carbon Black, Petroleum Refining, Power and Telecommunications - all of which are key to the growth of a nation.

While establishing its leadership position in the core sector and continuing its never-ending quest for excellence, the Aditya Birla Group has leveraged its competencies to become a truly world-class global corporation.

The Group has joint ventures with global majors including AT&T (USA) for telecommunications, Powergen (UK) for power and Capital International (USA) for financial services. In the refining sector it has a joint venture with Hindustan Petroleum Corporation Limited, one of India's largest oil companies.

Its 60 state-of-the-art manufacturing units - all ISO 9002 certified and with environmentally compatible technologies - span India, Thailand, Indonesia, Malaysia, Philippines, Egypt and Canada as well. All these units are set up with know-how from globally renowned companies.

Alongside, its international trading operations encompass countries like Singapore, Dubai, UK, USA, South Africa, Tanzania, Myanmar and Russia. It was the only Group to have been termed "a truly global multinational corporation" by Euromoney in 1994.

The Group recently took over the Atholville Pulp Mill situated in New Brunswick, Canada. The mill will provide 110,000 tons of Dissolving Grade Chemical Wood Pulp to Group Companies - Grasim Industries, India, Thai Rayon Public Company, Thailand and P.T. Indo Bharat Rayon, Indonesia. This is the Group's first major acquisition overseas.

India's second largest business house, the Aditya Birla Group enjoys a dominant position in all the sectors in which it operates. The Aditya Birla Group is the world's largest producer of Viscose Staple Fibre and the largest single location Refiner of Palm Oil. It is the world's third largest producer of Insulators and the sixth largest producer of Carbon Black.

"When suggestions are given, the first reaction should be: yes, it can be done. A positive bent of mind should guide us."

* Quotes excerpted from: 'Aditya Vikram Birla: A Biography'

In India, the Group is the single largest producer of Viscose Filament Yarn, Aluminium, Grey Cement (at a single location), White Cement and Rayon Grade Pulp. It is also the only producer of linen in the textiles industry in India.

The Aditya Birla Group's total turnover for 1997-98 crossed Rs. 20,000 crores. Its fixed Assets are in the region of Rs. 18,000 crores. The Group employs more than 140,000 people in over 15 countries.

A learning and growing organisation, this Vision-driven Group fosters a culture that promotes excellence and rewards entrepreneurship. It endeavours to make the workplace a source of creativity, innovation and self-fulfilment for all employees. Fostering a corporate culture where there is a high level of commitment. A sense of shared destiny and company mindedness.

As a responsible corporate citizen, the Group works with a missionary zeal for the larger good of society. The Aditya Birla Group inherently believes in the trusteeship concept of management. Consequently, part of its profits are ploughed back into meaningful welfare-driven initiatives that make a qualitative difference to the life of a people.

The Group's flagship companies - Grasim Industries, Hindalco Industries, Indian Rayon and Industries and Indo Gulf Fertilisers and Chemicals Corporation - rank among India's top 50 most respected and admired corporations.

The Aditya Birla Group operates a decentralised, professionally managed, responsive organisation, led by Mr. Kumar Mangalam Birla, supported by an experienced international management team.

We, in Hindalco, are proud to be a part of this fine Group.



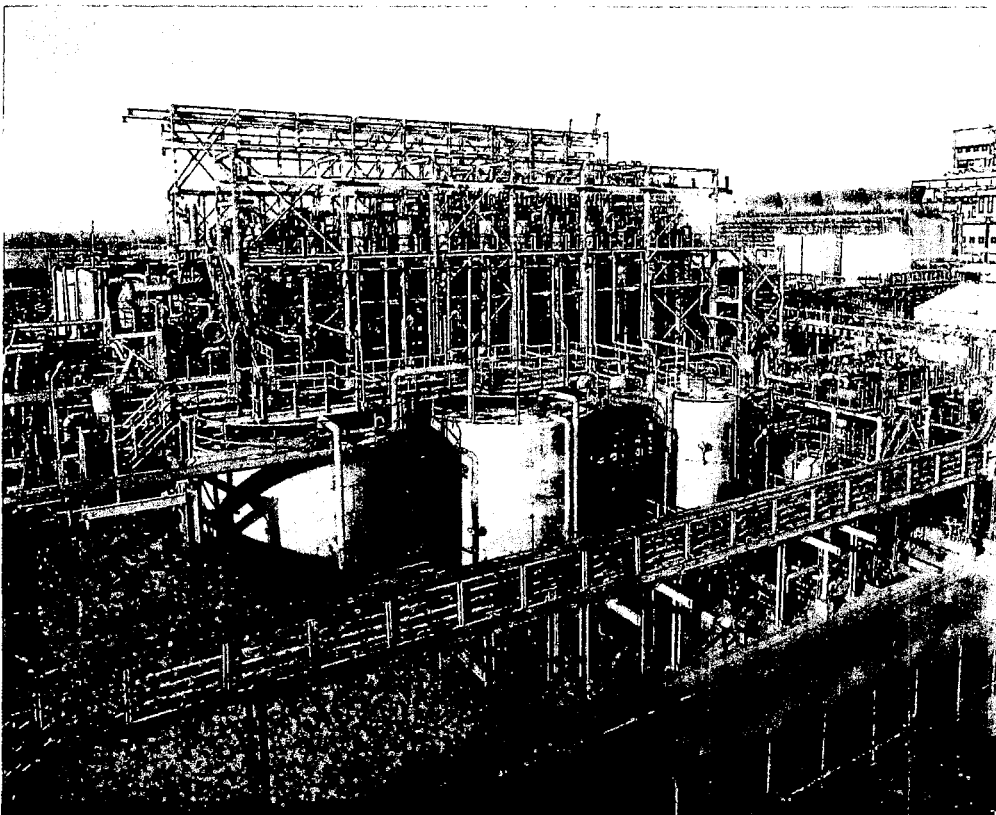
HINDALCO INDUSTRIES LTD.

HINDALCO : A TRULY GLOBAL COMPANY...

Significant Milestones during 1997-98



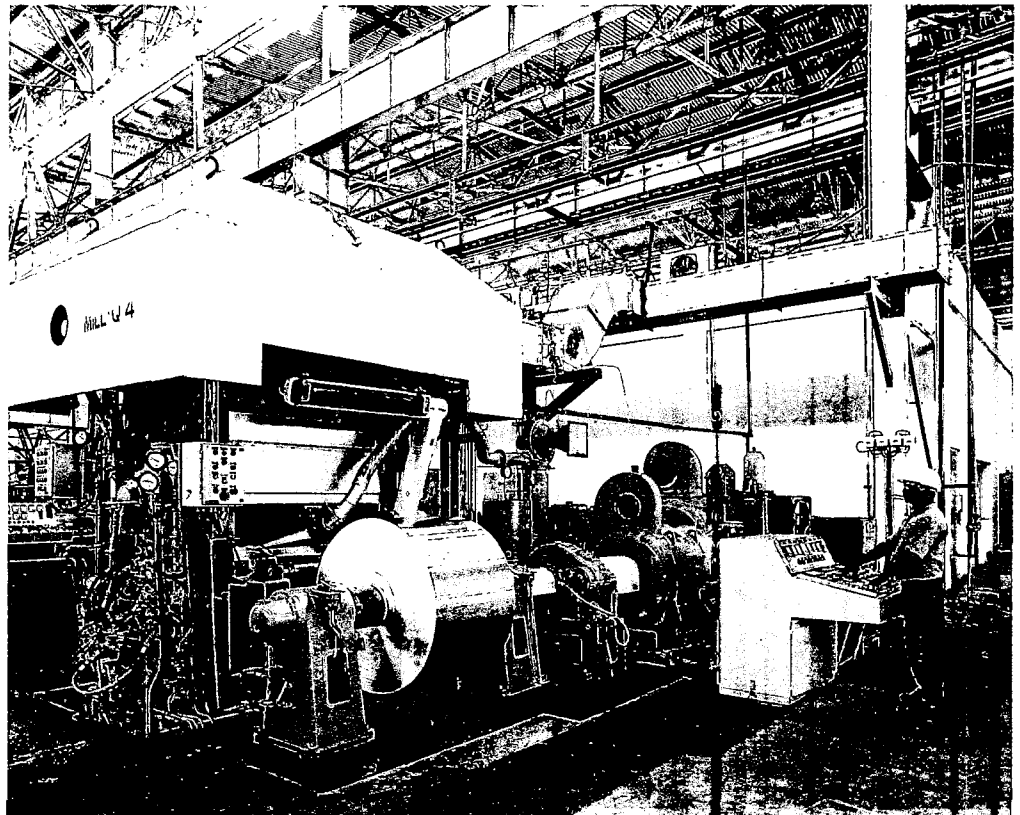
With the commissioning of the 8th Potline, Aluminium Smelting Capacity has increased to 242,000 MTPA. The Capacity is World sized and India's largest.



Alumina is a key input. With a capacity addition of 100,000 MTPA - Alumina Refinery Capacity is now 450,000 MTPA- the increase will contribute significantly to improved cost competence.



Power is a major cost driver. With a 150 MW addition, we now have a Power Generation capacity of 612 MW and an enviable operational efficiency which has enabled Plant Load Factor of 92.9%.



Emphasising value addition is a key corporate tenet. Commissioning of the 5000 MTPA Foil Plant at Silvassa is the first significant forward linkage which pursues a larger share for value added products