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2001 - 2002
ANNUAL REPORT
Hindalco Industries Limited

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IN HOMAGE TO A LEGEND



The late Aditya Vikram Birla, a man rooted in Indian values yet global in vision. Rock solid in fundamentals.

He spawned a culture that encouraged vigour and vitality, the spirit of innovation, the spirit of experimentation, and the passion to excel. A culture where learning afresh underpinned success.

Beyond business, he nurtured communities, sending out a clear message that we care.

Simply put, he was one man who made a difference. In business and as a human being.

Our constant endeavour is to keep up to his standards.



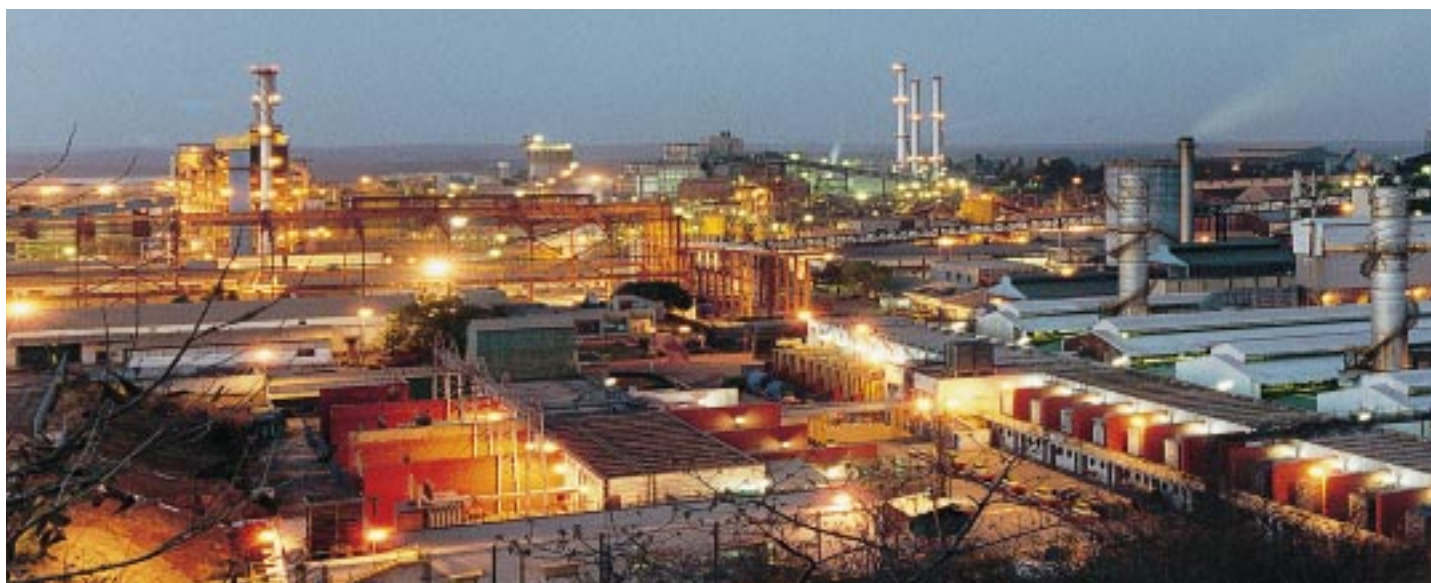
ADITYA VIKRAM BIRLA,
November 14, 1943 - October 1, 1995

HIGHLIGHTS

- Excellent performance amidst difficult industry environment
- Record high metal volumes; highest ever revenues and profits
- Smelter and Alumina refinery operate above rated capacity
- 9th pot-line commissioned; implementation of the remaining work at the Brownfield expansion on track
- Share of value added products rise from 53% to 56% of aggregate sales volumes
- Revenues up 3%; Profit after Current Taxes up 10.3%
- Highest ever EPS and CEPS - up marginally at Rs.92.1 and 112.9 respectively
- Dividend increased from 120% to 135%
- Accolades won : A selective list:
 - Hindalco entered “The Asia-Top 25” list of CFO Asia Annual Report Survey, the only Indian company in 2001
 - Alumina Refinery named as “Best Safety Performing Plant in the World for the Year 2000” by the International Aluminium Institute
 - “Award for Outstanding Work in the Area of Rural Development”, from Federation of Indian Chamber of Commerce and Industry (FICCI)

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BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla
Chairman

Mrs. Rajashree Birla

Mr. T.K. Sethi

Mr. C.M. Maniar

Mr. E.B. Desai

Mr. S.S. Kothari

Mr. M. M. Bhagat

Mr. K.N. Bhandari

Mr. A.K. Agarwala
(Whole-time Director)

SPECIAL ADVISOR

Mr. D.P. Mandelia

KEY EXECUTIVES

Mr. R.K. Kasliwal
Executive President (Finance & Commerce)

Mr. S.K. Tiwari
Chief Officer (Manufacturing)

Ms. N. Chainani
*Executive President
(Corporate Affairs & Development)*

Mr. S.K. Maudgal
*Executive President (Marketing) &
C.E.O. (Foil & Wheel)*

Mr. R.P. Shah
Joint President (Alumina Plant)

Mr. Ajey Srivastava
Joint President (Operation & Planning)

Mr. P.K. Panda
Joint President (H.R.)

Mr. Ramesh Kumar
Senior Vice-President (Marketing - Extrusions)

Mr. A.K. Karmakar
Senior Vice-President (Boiler & Co-generation)

Mr. R.P. Tiwari
Senior Vice-President (Projects)

Mr. S.N. Sharma
Senior Vice-President (Finance & Accounts)

Mr. S.C. Tandon
Senior Vice-President (Pot Room Operation)

Mr. K.K. Patodia
Senior Vice-President (Raw Material)

Mr. O.P. Sharma
Vice-President (Alumina Mech. Maintenance)

Mr. R. Haridas Menon
Vice-President (Marketing - Primary Metal)

Mr. I.C. Rao
Vice-President (Marketing - Rolled Products)

Mr. Sanjeev Goel
Vice-President (Information Technology)



A panoramic view of integrated aluminium complex at Renukoot

Mr. N.K. Zalani
Vice-President (Industrial Engg.)

Mr. Atul Daga
Vice-President (Corporate Finance & Treasury)

RENUSAGAR POWER DIVISION

Mr. G.S. Khurana
Executive President (Renusagar Power Plant)

Mr. S.R. Gopal
Senior Vice-President (Design)

Mr. P.V. Rao
Senior Vice-President (Operations)

FOIL DIVISION

Mr. J.D. Mehta
Senior Vice-President (Marketing - Foil & Wheel)

Mr. T.N.M. Balagopalan
Vice-President (Foil Division)

COMPANY SECRETARY

Mr. Anil J. Jhala
Joint President (Company Matters, Taxation & Treasury)

SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe, Mumbai
Khaitan & Co., Kolkata
Khaitan & Partners, New Delhi

AUDITORS

Singhi & Co.,
Chartered Accountants, Kolkata

INDEPENDENT AUDITORS (US GAAP)

KPMG, Mumbai

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.
Standard Chartered Grindlays Bank Ltd.
ABN Amro Bank N.V.
Union Bank of India
IDBI Bank Ltd.
Hongkong & Shanghai Banking Corp. Ltd.



THE CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

The year 2001-2002 will be remembered for long, not necessarily for all the right reasons. It has been a year of aberrations. With the attack on the World Trade Centre in September, dark clouds encircled the global economy. Given the preponderance of the U.S. worldwide business faced great uncertainty. The sudden drop in consumer confidence was no surprise. Stock markets nose-dived as well. No longer insular, corporates in India too felt the tremors of these seismic events.

In the face of these setbacks, your Company has shown remarkable resilience and posted a reasonably good performance.

Regardless of a weak LME, your Company's revenues at Rs.23314 million are up by 2.5 per cent. Net Profit after Current Tax has risen by 10.3 per cent from Rs.6781 million to Rs.7480 million. After factoring in of the newly mandated deferred tax, the net profit figure is Rs.6860 million, as against Rs.6781 million in the preceding year.

Aggressive marketing of larger volumes with a growing share of value-added products, besides innovative practices that helped increase output in every operation, have been the growth drivers.

Let me now focus on the three major developments that would be of great interest to you. These include firstly, our ongoing brownfield expansion, secondly – the novel profit enhancing moves and thirdly – the share buyback.

The commissioning of the 9th Potline at your Company's smelter in Renukoot signalled the successful completion of the first phase of the brownfield expansion. This has led to an increase of 10,000 MT in metal production; and is expected to enhance capacities by 33,000 MT annually. We are hopeful of fully executing this project in financial year 2003-2004.

Project Rocket 2-K, a value creation process, begun last year, has made significant headway. Intended to improve profitability through better throughput, efficiencies and productivity levels, this initiative has enabled your

Aggressive marketing of larger volumes with a growing share of value-added products, besides innovative practices that helped increase output in every operation, have been the growth drivers.

Despite the strong economic undercurrents, your Company has managed to maintain profits, by and large outperforming its competitors in most of the sectors in which it operates. This is a matter of satisfaction for all of us. To my mind, more than anything else, it is the culture of meritocracy that we espouse, it is the ebullience, the perseverance and the commitment of practically all of your Company's employees that has made your Company what it is today.

Company realize gains in excess of Rs.220 million already. We expect greater benefits to accrue in the near future.

To cut down on cycle-time, optimize resources across the entire gamut of your Company's operations, and to ensure real time data availability that speeds up decision-making, your Company has launched an IT project hinging on extended ERP systems at an investment of Rs.240 million over the next three years. The first-phase would go on-line by August 2003.

To utilize the surplus cash available with your Company to generate shareholder value, your Company has initiated a buy-back of equity shares. Up until now, your Company has bought back a little over one per cent of equity shares.

Outlook

The US economy is well on course, and Europe seems posited on the growth track. Given the snowballing effect of these world economies, expectations of a gradual improvement in alumina and metal consumption, world over, run high.

Closer to home, the ongoing thrust by the Government on the infrastructure and power sectors, the increasing use of aluminium as an eco-friendly metal in the transport segment, greater usage in building construction and consumer durables should fuel domestic demand for aluminium.

Against the backdrop of this tenor, besides WTO and the resultant fall of competitive barriers, increasing capacities in China pose stiff challenges. Your Company is fully geared to meet them upfront. Your Company's predominance in the aluminium sector as the largest integrated and amongst the lowest cost producer endows it with a competitive flange.

The brownfield expansion, the economies of scale and the fruits of ongoing process innovations at the Plant will stand your Company in good stead. To move ahead we will pursue inorganic growth and be open to participating in opportunities arising from the Government's proposals to divest in companies in the aluminium business.

Let me add that being customer-centric, offering superior quality products and technical services, being cost obsessed, are hygiene factors in your Company.

At the end of the day, despite the strong economic undercurrents, your Company has managed to maintain profits, by and large outperforming its competitors in most of the sectors in which it operates. This is a matter of satisfaction for all of us. To my mind, more than anything else, it is the culture of meritocracy that we espouse, it is the ebullience, the perseverance and the commitment of practically all of your Company's employees that has made your Company what it is today. I wish to record my sincere appreciation of their contribution.

They know fully well that creating and enhancing shareholder value is at the core of your Company's agenda.

The Aditya Birla Group – In Perspective

That said, I would like to dwell on the proactive measures taken on various counts to keep our Group attuned to the shifting realities of today's hyper-competitive landscape, and importantly to make sure that we continue to remain successful.

Over the last four years, we have embarked on a continual process of renewal with a single-minded strategic focus on creation of customer and shareholder value.

Being among the top three players, in the sectors in which we operate or exiting; offering superior value addition to our customers, being continually focused on targeted, cost-effective commercial innovations that drive us unflinchingly towards global benchmarks in every operation of ours and building upon the Aditya Birla brand form the contours of our strategic structure.

Our strategic architecture:

Value creation is the raison d'être underpinning all of our businesses.

Growth in our key businesses has been pegged on consolidation, acquisition and mergers. In so far as it relates to acquisitions, we are very clear that we will bid at values and prices that make sense for us, depending on what value we see in the asset and at what price we think we will create value for our shareholders.

At Indal, the capacity enhancement at Hirakud and the acquisition of Annapurna Foils, are futures-oriented moves.

In the copper business of Indo Gulf while we have grown the smelter capacity from 100,000 TPA to 150,000 TPA at Birla Copper, with a view to attain a global scale, a further expansion is on the anvil.

As you are well aware, we have acquired 12.89% equity in Larsen and Toubro. This initiative represents a strategic investment by us, in what I believe, is India's premier infrastructure company. We have identified cement among other sectors along with knowledge-intensive businesses, with a strong service orientation, as businesses that offer significant growth opportunities, going forward.

In VSF we have outpaced competition not only in India but in the Asian region too, commanding as we do nearly 25% of the global pie. To retain our hold and grow further, given the changing market dynamics, we are exploring the possibility of foraying into selective cellulose fibres like Highwet Modular Fibres and Lyocal.

To turn around the textile business in the foreseeable future and to stem recurring losses, we have divested our textile unit at Gwalior to Meledeon Exports Ltd., as a going concern as the unit made losses continuously. Our premier brands "Grasim and Graviera" are now being manufactured at a single location in Bhiwani. Besides bringing in better synergies, fixed costs and the value of current assets have been significantly pared. This is the first major step to reverse the downturn of the fabric business.

To achieve a fair balance in terms of portfolio, in the recent past we have forayed into the ready-to-wear apparel segment and the insurance sector. This year we have ventured into the software sector, given its growth potential. The acquisition of PSI Data Systems from Groupe Bull S.A. of France, is a step in this direction.

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I am also pleased to inform you that we have been able to dispose off the Sea Water Magnesia Plant at Visakhapatnam.

In the telecom sector, the three-way joint venture between AT&T, Tata Cellular and our Group, newly christened "Idea Cellular Limited" is progressing very well. Currently, the fastest growing cellular venture has registered a growth of 135 per cent this year, outpacing the industry average of 80 per cent, and commanding a teledensity in excess of 30 per cent in the country.

Birla Sun Life, our insurance venture, is gaining ground. As you may be aware in this sector we have to factor a gestation period of atleast five years before returns accrue.

Regrettably up until now we have not been able to exit from petroleum refinery given the complexities of this J.V.

Structural Processes / People Processes :

CVA (Cash Value Added) is indeed well entrenched as our measurement metric across the Group. We are now in the third planning cycle of the CVA. Over the last three years we have successfully met with its objective, essentially the streamlining and refinement of management decision making processes which necessitate understanding business variables in depth and quantifying their effect on value creation.

As a proactive response to today's competitive global landscape and changing times, we are continuously ensuring that our Group remains customer-centric, nimble footed, performance-driven and accountable on all fronts. To do so, we spawn a culture of creativity and continuous innovation that can best the competition.

We are endeavouring to foster an environment in which our people are enthused to work with an entrepreneurial spirit, creating that enabling ambience where passion becomes embedded in the genetic coding.

Unleashing people potential in a balanced manner through a razor sharp focus on competence enhancement and learning is happening at Gyanodaya, the Aditya Birla Institute of Management Learning. Our aim here is also to convert our people into global managers, to create entrepreneurs out of them, to encourage them to think out-of-the-box. I believe it is only new ideas and new thoughts that prevent obsolescence, create value for shareholders and enable the Group to achieve ongoing profitable growth.

Yours sincerely,



Kumar Mangalam Birla

1st June, 2002.

As a proactive response to today's competitive global landscape and changing times, we are continuously ensuring that our Group remains customercentric, nimble footed, performance-driven and accountable on all fronts. To do so, we spawn a culture of creativity and continuous innovation that can best the competition.

FINANCIAL HIGHLIGHTS

	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
PRODUCTION										
Aluminium Metal (In MT)	261,338	251,492	248,930	240,926	200,304	166,272	175,398	164,280	155,761	163,485
Wire Rods (In MT)	52,203	43,946	49,018	51,197	45,482	42,704	45,865	44,454	40,225	37,740
Rolled Products (In MT)	70,113	62,811	58,690	44,668	34,193	18,302	31,378	38,202	30,740	29,619
Extruded Products (In MT)	16,250	18,602	14,959	11,995	12,389	11,798	12,589	11,416	9,807	9,799
Foil (In MT)	17,209	12,756	7,537	1,551	26	-	-	-	-	-
Wheel (In Pcs.)	22,889	23,058	5,451	-	-	-	-	-	-	-
PROFIT & LOSS ACCOUNT (Rs. in Million)										
Gross Sales	26,595	25,836	23,076	20,131	16,707	13,083	14,222	11,307	9,217	9,756
Net Sales	23,314	22,754	20,312	17,670	14,733	11,571	12,518	9,563	7,495	7,552
Operating Expenses	13,374	12,225	10,912	9,895	8,676	7,309	6,915	5,727	5,252	5,343
Operating Profit	9,940	10,529	9,400	7,775	6,057	4,262	5,603	3,836	2,243	2,210
Other Income	2,109	1,315	1,387	1,445	1,275	1,754	1,773	1,267	711	539
Interest Payment	456	619	597	836	723	489	616	474	480	532
Gross Profit	11,593	11,225	10,190	8,384	6,608	5,528	6,760	4,629	2,473	2,216
Depreciation	1,543	1,424	1,353	1,246	776	423	348	330	269	370
Profit before Tax & Extraordinary Items	10,050	9,801	8,837	7,138	5,832	5,105	6,411	4,299	2,204	1,846
Current Tax	2,570	3,020	2,485	1,470	870	1,202	2,400	1,380	607	691
Net Profit after Current Tax	7,480	6,781	6,124	5,668	4,962	3,903	4,011	2,919	1,597	1,155
Deferred Tax	620	-	-	-	-	-	-	-	-	-
Net Profit after Deferred Tax	6,860	6,781	6,124	5,668	4,962	3,903	4,011	2,919	1,597	1,155
Equity Shares Dividend (including dividend tax)	1,005	985	691	532	430	369	298	258	189	155
Retained Profit	5,855	5,796	5,433	5,135	4,532	3,534	3,714	2,662	1,408	1,000
BALANCE SHEET (Rs. in Million)										
Gross Fixed Assets (including CWIP)	63,168	56,365	53,450	52,055	36,205	30,812	25,046	22,117	19,701	18,675
Net Fixed Assets (excluding Revaluation Reserve)	26,951	21,520	20,009	19,950	18,929	14,202	8,845	6,262	4,173	3,412
Investments	19,853	19,175	11,328	10,628	10,012	7,144	9,455	8,415	4,921	2,627
Net Current Assets	13,032	10,241	12,409	8,851	6,282	7,059	6,339	4,576	2,852	2,920
Capital Employed	59,836	50,936	43,746	39,429	35,223	28,405	24,640	19,253	11,947	8,959
Loan Fund	9,577	7,147	5,754	6,870	7,799	5,513	5,282	4,385	3,007	3,370
Net Worth	50,259	43,789	37,992	32,559	27,424	22,892	19,357	14,868	8,939	5,589