

ANNUAL  
REPORT  
1997-98

Report  Junction.com

INDAL

## Board of Directors

---



*S.M. Datta*  
Chairman



*T. Mitra*  
Vice Chairman &  
Managing Director



*P.K. Choksey*

*N.K. Choudhary*



*P.S. Datta*



*N.J. Jhaveri*



*S.B. Mathur*



*A.L. Mudaliar*



*P.K. Pal*



*D.S. Parekh*



*J. Sagar*



*B.W. Sturgell*



*B.R. Sule*



*S. Thadani*

MD	✓		BKC	✓
CS	✓		DPY	✓
RC	✓		DIV	✓
TH	NA		AC	✓
AS	✓	✓	SH	✓
YS	✓	✓		✓

## Contents

### Indian Aluminium Company, Limited

Shareholders' Information	2
---------------------------	---

Directors, Management Committee, Officers, Auditors, Advocates & Solicitors and Bankers	3
---	---

Year at a Glance	4
------------------	---

Report of the Directors	5
-------------------------	---

Annexure to Directors' Report	11
-------------------------------	----

Management Review	14
-------------------	----

Statement on Significant Accounting Policies	19
---	----

Profit & Loss Account	20
-----------------------	----

Balance Sheet	21
---------------	----

Schedules	22
-----------	----

Auditors' Report	39
------------------	----

Cash Flow Statement	41
---------------------	----

Eleven-year Statistical Highlights	42
------------------------------------	----

Statement regarding Subsidiary Companies	44
---	----

### Indal Exports Limited

Report of the Directors, Balance Sheet	45
---	----

Profit & Loss Account	46
-----------------------	----

Schedules	47
-----------	----

Auditors' Report	50
------------------	----

### Indal Electronics Limited

Report of the Directors	51
-------------------------	----

Annexure to Directors' Report	52
-------------------------------	----

Statement on Significant Accounting Policies	53
---	----

Balance Sheet	54
---------------	----

Profit & Loss Account	55
-----------------------	----

Schedules	56
-----------	----

Auditors' Report	63
------------------	----

## Shareholders' Information

### 1. (A) Distribution of share-holding as on 31 March 1998

Number of ordinary shares held			Number of shareholders		%	Number of shares		%
1	—	500	28,377	92.6		4,020,259	5.7	
501	—	1000	1,353	4.4		951,134	1.3	
1001	—	10000	866	2.8		1,794,735	2.5	
10001	—	50000	25	0.1		616,577	0.9	
50001 and above			33	0.1		63,729,277	89.6	
			<u>30,654</u>	<u>100.0</u>		<u>71,111,982</u>	<u>100.0</u>	

### (B) Share-holding pattern as on 31 March 1998

Holders	%
ALCAN .....	34.6
UTI .....	15.9
LIC .....	15.4
Mutual Funds .....	1.8
FI's - Others .....	4.8
GDR holders .....	12.2
Banks .....	0.1
Corporate Bodies .....	0.5
Foreign Institutional Investors/ NRIs/OCBs .....	5.4
State Governments .....	0.3
Public .....	9.0
	<u>100.0</u>

2. (A) Listing on stock exchanges : Calcutta, Mumbai and National Stock Exchange
- (B) Registered Office : 1 Middleton Street, Calcutta 700 071
- (C) Dates of book closure : 11 June 1998 to 2 July 1998 (both days inclusive)
- (D) Date & venue of AGM : At 11.00 a.m. on 2 July 1998 at Kala Mandir,  
48 Shakespeare Sarani, Calcutta 700 017
- (E) Dividend payment : On or around 15 July 1998
- (F) Share transfers and other communication regarding share certificates, dividends and change of address, etc. may be addressed to : Sanjeeb Chatterjee  
Manager-Investor Services  
Indian Aluminium Company, Limited  
1 Middleton Street  
Calcutta 700 071
- (G) Share transfer system : Share transfers would be registered and returned within 21 days from the date of receipt, if the documents are clear in all respects. The Securities Committee of the Board which ratifies all share transfers meets as and when required.



### Board of Directors

S.M. Datta<sup>+</sup>  
*Chairman*

T. Mitra<sup>+</sup>  
*Vice Chairman & Managing Director*

P.K. Choksey\*

N.K. Choudhary

P.S. Datta

N.J. Jhaveri\*

S.B. Mathur  
*Nominee of the Financial Institutions*

A.L. Mudaliar\*

P.K. Pal

D.S. Parekh<sup>+</sup>

J. Sagar

B.W. Sturgell<sup>+</sup>

Glenn R. Lucas  
*Alternate Director to P.K. Pal & B.W. Sturgell*

B.R. Sule<sup>+</sup>

S. Thadhani\*

G.P. Batt  
*Alternate Director to S. Thadhani*

\* Member of the Audit Committee of the Board

<sup>+</sup> Member of the Personnel Committee of the Board

### Management Committee

T. Mitra, *Chairman*

N.K. Choudhary

S. Choudhury

P.S. Datta

M. George

A. Ray

Vijaya Sampath

P.K. Sen

J. Singh

R.P. Singh

M.S. Varma

### Officers

P.S. Datta

Vijaya Sampath

### Auditors

Price Waterhouse

### Advocates & Solicitors

Sandersons & Morgans

### Bankers

ANZ Grindlays Bank p.l.c.

Bank of America National Trust and Savings Association

Bank of Baroda

Citibank N.A.

Deutsche Bank

Punjab National Bank

State Bank of India

Syndicate Bank

The Hongkong and Shanghai Banking Corporation Limited

Union Bank of India

**Year at a Glance**

	1997-98	1996-97
<b>Production (tonnes)</b>		
Semi-fabricated aluminium	67,659	74,450
Alumina hydrate	368,200	329,100
Primary aluminium	38,790	37,370
<b>Sales and Earnings (rupees million)</b>		
Sales and operating revenues	11,625	11,556
of which exports	2,265	1,969
Profit before tax and non-recurring items	800	603
Profit after tax	714	592
<b>Cost and Expenditure (rupees million)</b>		
Employment cost	1,013	981
Capital expenditure	1,127	1,260
Research & Development	119	98
<b>Other Information</b>		
Current ratio	3.1:1	2.6:1
Secured term debt : equity	30:70	19:81
Net worth per share (rupees)	95.06	89.43
Earning per share (rupees)	10.04	8.32
Dividend per share (rupees)	4.00	4.00
Return on average equity (%)	10.95	9.43
Interest cover (times)	2.55	2.11
Employees (numbers)	7,417	7,699

## Report of the Directors

INDAL

Your Directors are pleased to present the 60th Annual Report, together with the audited accounts for the financial year April 1997 to March 1998.

## Financial Highlights

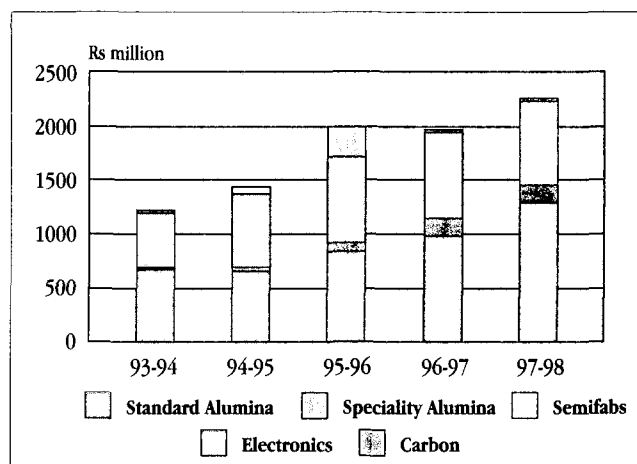
	April 1997- March 1998	April 1996- March 1997
	(Rs million)	
Sales and operating revenues	11625	11556
of which export	2265	1969
Profit before depreciation, non-recurring items and tax	1262	998
Profit after tax	714	592
Per Ordinary Share :	(Rupees)	
Profit after tax	10.04	8.32
Dividend		
Interim	1.50	2.00
Final	2.50	2.00
	(proposed)	

## The Year in Focus

The year saw significant improvement in the Company's operations and performance :

- Profit after tax – Rs 714 million – an increase of 21% over last year.
- High capacity utilisation – Alumina 108%, Foil 105% and Sheet 74%. The smelter in Orissa operated at 96% on captive power.
- Record export turnover – Rs 2265 million – registering a growth of 15%.
- Completion of projects like the Continuous Caster in Orissa and Remelt Furnace in Maharashtra within time and cost.
- Best ever safety record of 0.76 accidents per million man-hours worked.

## Exports



The growth of domestic aluminium consumption during the year was only 3%, as compared to the forecast of 6-7%.

The profitability of rolled and semi-fabricated sectors, including extrusions, was severely affected by the sharp increase in import duties (on both primary and scrap aluminium), demand stagnation in critical market segments and the steep rise in administered costs viz., coal, power and freight. However, your Company's performance showed improvement due to its focus on value-addition and rigorous control on costs, including those relating to inventory and logistics. De-bottlenecking of operations in certain areas resulted in higher average realisation and optimum capacity utilisation.

## Associates and Related Companies

- An agreement was signed between Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL), Hydro Aluminium s.a. of Switzerland (Hydro) and your Company, all being promoters of Orissa Extrusions Limited (OEL), for transfer of the entire holding in OEL by IPICOL to the other two promoters of OEL, at a price of Rs 22 per equity share. This will require your consent as well as approval of the Central Government at the time of investment under Section 372 of the Companies Act, 1956, for such part of the shares as are in excess of 30% of OEL's paid-up capital. Further, it has

also been agreed between the promoters that IPICOL, Hydro and your Company would lend amounts not exceeding Rs 29.6 million, Rs 38 million and Rs 37 million respectively on similar terms and conditions in order to enable OEL to meet its obligations to the financial institutions under a one time settlement proposal.

The recent months have seen significant productivity and product quality improvement in OEL. With the help of Indal and Hydro, these gains will enable OEL to supply sophisticated products to the domestic and international markets.

Your Company's investments in the share capital of OEL is strategic in nature. In view of the above, and in particular the proposed financial restructuring and the technological and marketing support from Hydro and Indal, it is expected that OEL will turn around in the years to come and correspondingly, shares of OEL, which were quoted at Rs 7.60 per share as at 31 March 1998 in stock exchanges are expected to reach par value (Rs 10 per share).

- B. Pursuant to discussions with the Industrial Development Bank of India (IDBI), the operating agency named in the scheme of rehabilitation of Annapurna Foils Limited (AFL) approved by the Board for Industrial and Financial Reconstruction (BIFR), your Company converted service charges payable by AFL for 1995-96 and 1996-97 amounting to Rs 39.8 million into interest-free unsecured loan repayable in 48 equal monthly instalments commencing 1 April 1998. Plans are afoot to crystallise the synergy between the operations of both the companies.
- C. Indal Hydro Extrusions Limited completed its first year of operation through market penetration and establishment of the DOMAL brand of extruded products in the Indian market.

- D. Courtaulds Packaging (India) Limited (Courtaulds), has started regular supplies to major toothpaste/cosmetics manufacturers in India. Your Company has been supplying webstock, the major raw material, to Courtaulds.
- E. Utkal Alumina International Limited (UAIL), a company incorporated in terms of the joint venture agreement between Tata Industries Limited, Hydro Aluminium a.s., Norway and your Company has made considerable progress. Acquisition of land for Phase I has been completed. The technology licence agreement is expected to be finalised soon. Alcan has expressed its intention to acquire a 20% initial equity stake in UAIL.

## Projects

A number of projects were initiated during the year to further strengthen, upgrade and expand existing facilities, address market requirements and reduce costs. These include a major Sheet expansion-cum-modernisation programme at both Belur, West Bengal and Taloja, Maharashtra based on a detailed study of all the rolling mills of your Company conducted in association with Alcan.

There are plans to expand the alumina capacity to 510,000 tonnes per annum at Belgaum, Karnataka and to 100,000 tonnes per annum at Muri, Bihar. Expansion of the special alumina chemicals facilities and a kaolin project also form part of your Company's growth plans. The expanded alumina capacities will mainly address the export potential jointly with other Alcan Group companies for which discussions have begun.

Recognising the need for augmenting the captive metal output, a detailed feasibility study has been initiated for doubling of capacity of the smelter at Hirakud, Orissa from 30,000 tonnes per annum to 60,000 tonnes per annum with technical inputs from Kaiser Aluminium, U.S.A. The power required for the expanded smelter is proposed to be met by increasing the generating capacity of the captive power plant at Hirakud from 67.5 MW to 144.5 MW. This is currently proposed to be implemented through the Build-Own-Operate-Transfer (BOOT)



route. Your Company has signed a Memorandum of Understanding with Tata Electric Companies for this purpose and negotiations for a detailed Power Purchase Agreement have commenced.

Your Company's plans of setting up a naphtha based captive power plant for the smelter at Belgaum, Karnataka has become subject to inordinate risks and costs on account of the changes incorporated by the last fuel policy of the Government. Considering the urgency of ensuring firm power for the Belgaum smelter, your Company is exploring several other options – one of them being the purchase of 60 MW of power from Jindal Tractebel Power Company Limited (JT). JT is putting up a power plant near Hospet in Karnataka and has signed a Memorandum of Understanding with your Company.

The problem in the Computer Systems arising out of the impending arrival of year 2000 and computers' inability to process data after year 1999 – widely known as "Y2K", is being addressed by a special task force within a specific time frame. Your Board is seized of the problem and is monitoring the progress in this regard.

The New Remelt at Taloja, Maharashtra and Caster at Hirakud, Orissa have been commissioned within the scheduled time and cost estimates. These projects will strengthen the Sheet Business operations.

The pilot plant for production of high quality kaolin at Lohardaga, Bihar is making good progress and is expected to be completed as per schedule by the first quarter of 1998-99.

#### **Research & Development – Technology**

Operation of the Wet Scrubbers at Hirakud, Orissa was suitably upgraded to avoid discharge of any liquid effluent. A simple data acquisition system has been developed and commissioned on trial basis for efficient pot control at the Company's smelter at Alupuram, Kerala.

New alloys were developed from recycled metal which would help in achieving reduction in weight and fabrication cost for the customers of certain Sheet products.

Details in respect of Research & Development, Energy Conservation and Foreign Exchange Earnings and Outgo are set out in the Annexure to this report.

#### **Alcan**

Alcan's continuous ongoing support in terms of technological inputs and global market access as well as in the areas of Technology and Human Resources are vital to improving your Company's product quality, reducing costs and raising the productivity of value-added products for domestic as well as growing export markets. Further, Alcan's regional strategy and global re-organisation of its businesses – in which Indal already plays an important role – provides an increased opportunity to integrate Indal's future operations with the international operations of Alcan.

Detailed studies on the capability of (a) Alumina Manufacturing System and (b) Rolling System in the Company are being carried out in collaboration with Alcan. Both have reached a final stage and your Company is implementing some of the recommendations that have emerged from these studies.

A major initiative has also started with Alcan to address the global special alumina chemicals market.

#### **Human Resources & Total Quality Movement**

Muri alumina plant in Bihar, one of the oldest alumina manufacturing units in the world, received ISO 9002 certification. Durgmanwadi mines in Maharashtra and Belgaum carbon and casting plant in Karnataka were also recommended for ISO 9002 certification. The Research & Development Centre at Taloja, Maharashtra was recommended for both ISO 9001 and 9002 certifications.

The overall industrial relations remained cordial, barring some unrest at Alupuram in Kerala as a result of lay off due to power cuts and implementation of revised work practices. Your Company is endeavouring to involve all its employees to sharply improve productivity and introduce modern work practices. Your Directors thank the employees for their support and for the confidence reposed in the future of this Company under the present management.

Information in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is set out in the Annexure forming a part of this report.

### Environment and Social Commitment

Your Company can claim to be the best among all aluminium companies in India with regard to pollution control and environment management. The expenditure of Rs 900 million made on environment related projects in last six years have placed your Company amongst the leaders in environment management, providing protection to the society as well as to the earnings stream.

Health programmes carried out under the aegis of *Rajarsbi Shabu Grameen Vikash Prakalp*, made further progress during the year. Operating in and around the Company's bauxite mines in Maharashtra, the '*Prakalp*' runs a self sufficient clinic with diagnostic, treatment-cum-minor operation room and ICU facilities and organises free medical camps. A hospital is in the process of construction and an Outreach Programme to the remote hamlets of the area has been implemented.

During the year, your Company's Lohardaga mines was awarded the ISO 14001 Environment Management System Certificate, which calls for stringent environment protection measures. Smelters at Alupuram, Kerala and Hirakud, Orissa, the mines in Bihar and Maharashtra and the power plant at Hirakud, Orissa as well as individuals working in these plants have received awards on account of safety, productivity, environment and occupational health.

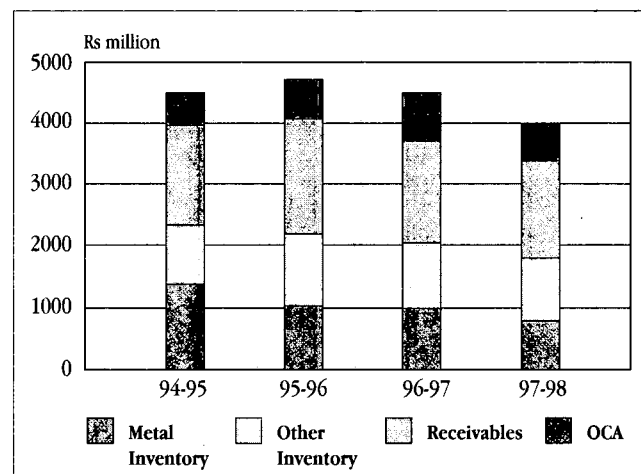
### Finance and Accounts

During the year, your Company raised a syndicated Euro-Dollar loan of US \$ 40 million and a one-year Rupee loan of 180 million. The Company also entered into an interest rate swap to hedge the floating interest rate of a US \$ 18 million loan.

Your Company was able to reduce interest expenses through

lowering its operating current assets as also the average borrowing costs.

### Operating Current Assets



During the year under review, your Company has been able to utilise Rs 35.6 million towards set off of past period credit under the provisions of Minimum Alternate Tax (MAT) against the normal tax liability for the year. Consequently, Rs 68 million has been provided for by way of income tax.

The Board confirms that the proceeds of the outstanding debentures and the GDR issues are being used for the purposes specified.

### Investor Services

The Company repaid all fixed deposits on due dates as per terms except for 154 (previous year : 223) deposit holders with an aggregate deposit of Rs 1,409,000 (previous year : Rs 2,058,000) who have not claimed refund on due dates. Your Company actively pursues these cases to effect repayment as soon as possible.

### Appropriation and Reserves

The Board is happy to recommend a final dividend of Rs 2.50 per Ordinary Share including those represented by Global Depositary Receipts, which together with the interim dividend of Rs 1.50 makes a total dividend of Rs 4.00 per Ordinary Share for the year.