

INDAL

ANNUAL REPORT
1998 - 99



Indian Aluminium Company, Limited



Indian Aluminium Company, Limited

Environmental Policy Statement

Our Vision

Protection of the environment is a high priority for every INDAL employee. This objective requires our full cooperation in a continuing effort to improve our products and production processes.

The unique properties of aluminium provide opportunities that conserve energy and resources, and thereby reduce a product's environmental impacts over its life cycle. Aluminium's high strength-to-weight ratio, corrosion resistance, thermal and electrical conductivity, barrier properties and economical recyclability make aluminium an environmental choice for a wide range of uses.

Full integration of environmental performance with our health and safety, quality and cost objectives ensures our competitive position.

Our guiding principles

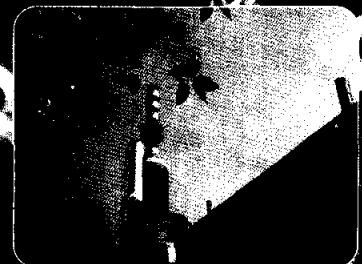
We will strive to be leaders in our industry and will continue to :

- ▶ work with suppliers and customers to design and manufacture products that take full advantage of aluminium's properties throughout their life cycle.
- ▶ use world-class practices in existing operations and incorporate, in new plants and processes, technologies that meet social, economic and environmental demands.
- ▶ communicate with employees, consumers, communities, businesses and government to achieve greater environmental understanding.
- ▶ comply with legal requirements and, where appropriate, use more stringent internal standards based on our expertise.
- ▶ make effective use of environmental management systems that continually improve our performance consistent with defined goals.
- ▶ respond effectively to environmental emergencies with highly trained response teams and through agreements with others.

By observing these principles, we will, through our leadership and exemplary behaviour, address the environmental expectations of our stakeholders.

Chris Bark-Jones
Chairman & CEO

January 1998



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Shareholder Information

1. (A) Distribution of share-holding as on 31 March 1999

Number of ordinary shares held			Number of shareholders		%	Number of shares		%
1	–	500	29,340	91.9		4,232,592	6.0	
501	–	1000	1,519	4.7		1,101,478	1.5	
1001	–	10000	984	3.1		2,134,269	3.0	
10001	–	50000	50	0.2		1,091,349	1.5	
50001 and above			39	0.1		62,552,294	88.0	
			<u>31,932</u>	<u>100.0</u>		<u>71,111,982</u>	<u>100.0</u>	

(B) Share-holding pattern as on 31 March 1999

Holders	%
ALCAN	54.6
UTI	9.2
LIC	9.3
Mutual Funds	3.4
FIs - Others	3.5
GDR holders	4.6
Banks	0.1
Corporate Bodies	1.0
Foreign Institutional Investors/ NRIs/OCBs	3.6
State Governments	0.3
Public	10.4
	<u>100.0</u>

2. (A) Listing on stock exchanges : The Calcutta Stock Exchange Association Limited,
7 Lyons Range, Calcutta 700 001;
The Stock Exchange Mumbai, P.J. Towers, Dalal Street,
Mumbai 400 001;
National Stock Exchange of India Limited,
Trade World, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.
(Annual listing fees has been paid to
each of the exchanges).
- (B) Registered Office : 1 Middleton Street, Calcutta 700 071
- (C) Dates of book closure : 29 June 1999 to 27 July 1999 (both days inclusive)
- (D) Date & venue of Annual
General Meeting : At 11.00 a.m. on 27 July 1999 at Kala Mandir,
48 Shakespeare Sarani, Calcutta 700 017
(Notice for Annual General Meeting on pages 22 to 28)
- (E) Dividend payment : On or around 12 August 1999
- (F) Share transfers and other
communication regarding
share certificates, dividends
and change of address, etc.
may be addressed to : Sanjeeb Chatterjee
Dy. Secretary
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.
- (H) Registrar & Transfer Agents
for dematerialised shares : ABC Computers Pvt. Limited, National Council of Education, Bengal,
Jadavpur University Campus, Jadavpur, Calcutta 700 032



Board of Directors

C. Bark-Jones⁺

Chairman & Chief Executive Officer

N.K. Choudhary

Managing Director, Operations

P. Arseneault

P.K. Choksey*

S. Fecteau

M. Hanley

N.J. Jhaveri*

G.R. Lucas

A.L. Mudaliar*

G. Ouellet⁺

D.S. Parekh⁺

J. Sagar

B.W. Sturgell⁺

B.R. Sule⁺

S. Thadhani*

G.P. Batt

Alternate Director to S. Thadhani

* Member of the Audit Committee of the Board

⁺ Member of the Personnel Committee of the Board

Management Committee

C. Bark-Jones

N.K. Choudhary

I. Banerjee

S. Choudhuri

M. George

A. Regie Paul

Vijaya Sampath

P.K. Sen

J. Singh

R.P. Singh

M.S. Varma

Officers

I. Banerjee

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

	1998-99	1997-98
Production (tonnes)		
Semi-fabricated aluminium	63,020	67,659
Alumina hydrate	379,500	368,200
Primary aluminium	42,193	38,790
Sales and Earnings (rupees million)		
Sales and operating revenues	11,520	11,625
of which exports	1,825	2,265
Profit before tax and non-recurring items	922	800
Profit after tax	764	714
Cost and Expenditure (rupees million)		
Employment cost	1,107	1,013
Capital expenditure	1,000	1,127
Research & Development	150	119
Other Information		
Current ratio	3.3:1	3.1:1
Secured term debt : equity	24:76	30:70
Net worth per share (rupees)	100.37	95.06
Earning per share (rupees)	10.74	10.04
Dividend per share (rupees)	4.00	4.00
Interest cover (times)	3.11	2.55
Employees (numbers)	6,473	7,417

Chairman's Review

INDAL

Sustained Growth In Challenging Times

In a tough business environment, Indal improved on the previous year's performance :

- profit before tax higher by 15%, net income by 7%
- production records by the alumina plants at Belgaum, Karnataka and Muri, Bihar and the smelter and power plant at Hirakud, Orissa
- 24% growth in export of value added special alumina chemicals.

Several initiatives were launched resulting in savings of around Rs 250 million. These, together with improved operating efficiencies and volume gains in metal and chemicals, contributed to the Company's profitability.

However, some factors had an adverse impact :

- slow domestic industrial growth and lower than expected growth in the semi-fabricated markets
- fall in global aluminium and alumina prices
- disruption in operations due to industrial relation issues at certain locations arising out of our efforts to implement better work practices.

Capital Expenditure

Capital expenditure during the year was Rs 1,000 million.

A partial annealing furnace with inert gas facility was commissioned in Belur, West Bengal, and will cater to sheet markets which demand a high level of quality and technical sophistication. Customers with high-speed presses require high

strain rates and formability without sacrificing tensile strength.

The furnace enables processing of finstock, hard alloy sheet and chequered plate with precise mechanical properties and a bright surface finish.

The kaolin pilot plant at Lohardaga, Bihar, has commenced production. It has sold small quantities so far, mainly to the paint, paper and cable industries. Initial feedback from the international and domestic markets is encouraging.

The Company is moving ahead with its plans for expansion of the alumina plants at Belgaum and Muri, in phases. We have also completed a detailed feasibility study for doubling of capacity of the Hirakud smelter, simultaneous expansion of the adjacent power plant and opening of a captive coal mine in the vicinity.

Safety and Environment

Safety continues to feature at the top of the Company's priorities. There was no reduction in the number of accidents and the severity rate was higher. We have taken remedial action and placed renewed emphasis on training on safety at all locations.

Compliance with Environment Management System ISO 14001 guidelines at certified locations yielded tangible benefits. Water and energy conservation efforts gained momentum at all plants and enabled the alumina plant at Belgaum to overcome seasonal water shortages. The electrostatic precipitator at Muri alumina calcining kiln was commissioned during the year.

The Company's plants at Hirakud and Muri and all its mines received awards from various agencies including State Government and Confederation of Indian Industry for their achievement in the fields of environment and safety.

Information Systems and Year 2000

We recognise the importance of integrating technology with business objectives and have accordingly selected technology appropriate to achieving our operational goals. The implementation of an Enterprise Resource Planning (ERP) programme using Oracle GEMMS and Oracle Financials will be completed next year. The benefits will be significant and a competitive advantage in terms of

- accurate forecasting of sales and production planning
- reducing cycle time and better inventory management
- monitoring work in progress
- planning optimal procurement of raw material
- **ability to deliver better quality products on time to the customer all the time.**

Year 2000 problem which relates to the inability of software systems to recognise the year 2000 date has been tackled meticulously and an action plan with dates for correction drawn up. All critical and process systems which had date-sensitive software were identified and repair of legacy systems completed. In some areas, the old systems were replaced with the compliant GEMMS software. The financial impact of Year

2000 compliance was not significant. The new systems have been tested at most of the locations and the remaining areas will be completed ahead of schedule. Contingency plans have been made in all critical areas to ensure that there are no major disruptions.

Human Resources

The prevailing market situation demands elimination of all outdated and restrictive work practices which have a dampening effect on productivity and response to customer requirements. We are committed to implementing changed work practices across all Indal locations. The management wishes to record its appreciation of the support received from the majority of employees in this regard.

During the year 572 employees accepted voluntary retirement at the smelters at Alupuram and Belgaum, the sheet plant at Belur and the corporate office at Calcutta. This exercise is to be seen as one element of the changes needed to achieve the desired level of competitiveness.

Board Changes

In 1998-99, Alcan Aluminium Limited (Alcan) of Canada increased its equity holding in the Company to 54.6%, warding off an unsolicited take-over attempt. The final outcome reflects Alcan's confidence in this Company and its belief in India's potential in the field of alumina and aluminium. The Company now expects to receive greater benefits from Alcan's technological and management strengths. A number of highly

INDAL

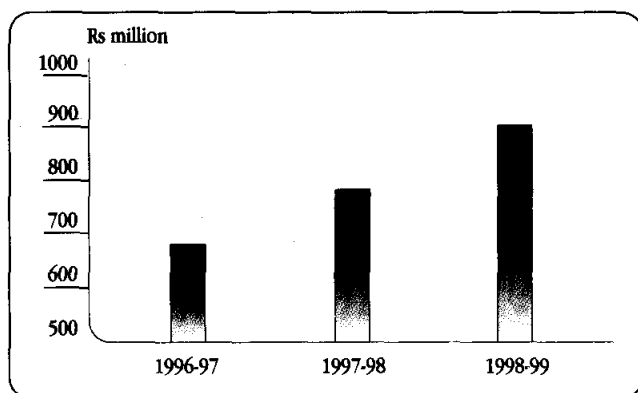
qualified and experienced professionals from different fields have been inducted in the Indal Board.

There have also been other changes in the composition of the Board. Mr S.M. Datta stepped down as Chairman and Director of your Company. We acknowledge the contribution of Mr S. M. Datta who provided wise counsel and advice during turbulent times. We also record our deep appreciation for the dedication and leadership of Mr Tapan Mitra who retired after having served the Company for 38 years in various capacities and steered the Company's focus towards customer orientation and quality. Mr Partho Datta who resigned as Director and Chief Financial Officer was with the Company for over 25 years and his financial acumen ensured that the Company had strong financial fundamentals.

Finance

Pre-tax profit for the year improved by 15%, thus maintaining a stable growth trend. The cost improvement measures initiated during the year enabled the Company to increase its

PBT Over Last Three Years



margin on sales despite sales volume being restricted by low demand growth and intense competition in the domestic and regional export markets.

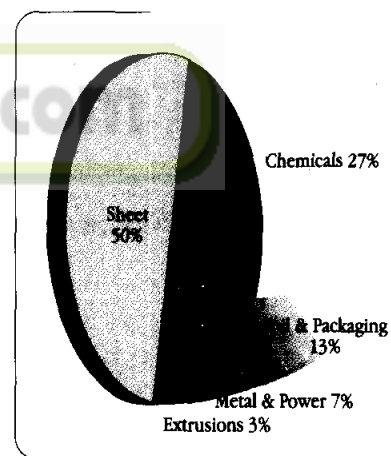
The Company is in a healthy financial position. The net debt : equity ratio of 32:68, the interest rate and cover, earnings per share as well as the adequate reserves position indicate our ability to raise funds from internal accruals and external sources at an effective cost to fund our plans for growth.

Business Operations

While two-thirds of sales are from downstream businesses, a major portion of the Company's value addition is contributed by the upstream

businesses, viz., chemicals and metal & power. In the year under review, the value added by the chemicals business was 42% of the Company's total value addition and that of metal & power was 32%.

Share in Sales Revenue



Chemicals

Record production at Belgaum and Muri alumina plants was achieved through improved operational efficiency and de-bottlenecking of certain processes. The business was successful in lowering the cost of production through global procurement of raw materials such as caustic and oil. Six new

products were introduced during the year. Domestic sales grew by 32% despite low demand in non-metallurgical end-use segments such as refractories and cement. Exports of special alumina chemicals increased by 24% over last year, despite the economic crisis in South East Asia. During the year, marketing of kaolin from the pilot plant commenced. The performance of the pilot plant will form the basis for the establishment of a higher capacity plant in the future.



Higher exports in identified markets, introduction of new products and better services will provide impetus for future growth as also will further addition to capacities.

Metal and Power

Both the smelters at Alupuram and

Hirakud operated at full capacity

and met 53% of the

Company's metal

requirements.

The recycling

plant produced

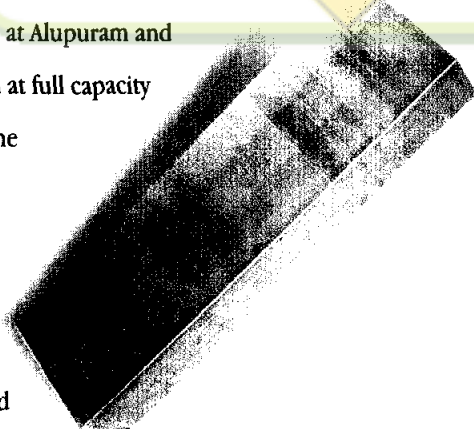
14,017 tonnes and

we also entered into an

arrangement for conversion of alumina into metal. Effective

metal sourcing and inventory management reduced our

dependence on expensive metal purchases for our downstream requirements. Generation of power at the captive plant at



Hirakud was a record.

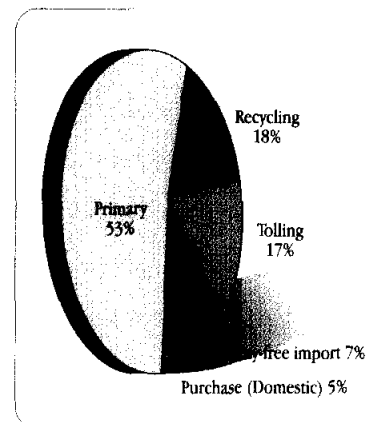
Improved efficiencies in production and purchase of power led to savings in power costs.

Profitability of the Alupuram smelter will be affected by the

proposed increase in power tariff in Kerala in May 1999.

Options to re-energise the Belgaum smelter through purchased power have been found unviable. A decision on the assets at the smelter will be taken shortly. Plans for expansion of the Hirakud smelter and power plant are nearing completion.

Metal Sourcing



Sheet

Market growth was disappointing with over capacity and fierce competition for market share. We countered by selling higher volumes to end-users, adding new markets and products and retaining our dominance in high value segments. Sale of products at the low-price band

suffered due to our unwillingness to meet price reduction by

competitors. The

business was able to work with lower metal inventory during the year but had to contend with equipment problems.

