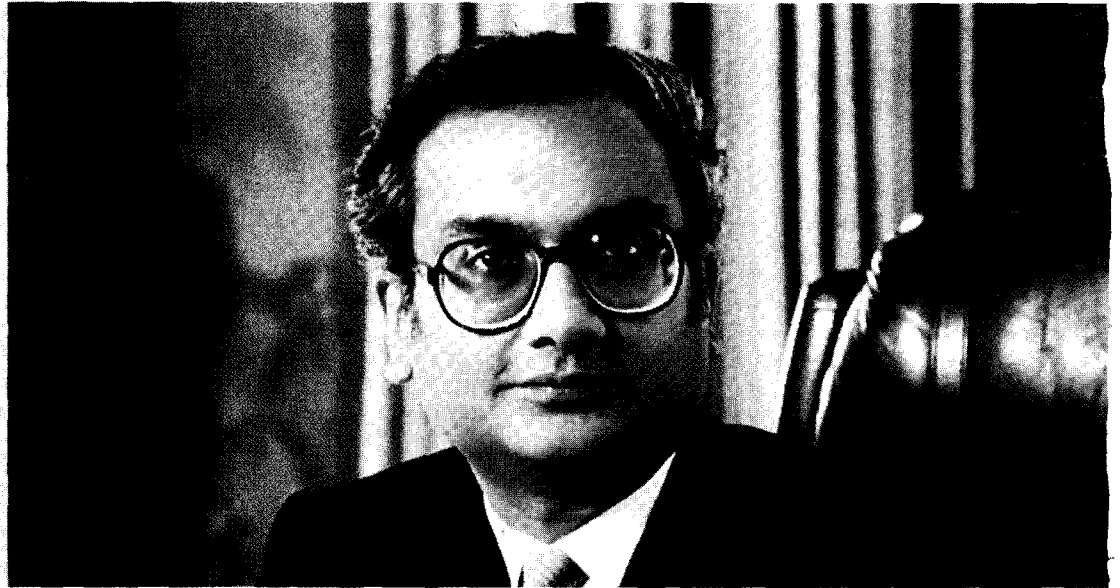


*Annual Report* | 2003 - 2004

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TO  
LEGEND



“Time and again, the supremacy of the human element cannot be

over emphasized. The success or failure of an organisation depends

Report Junction.com

on people, on human beings, on their talent, on their initiative, on

their ability to lead, and coordinate with others, to work as a team.

It also depends on the ability of the organisation, to motivate them

to greater heights.”

We carry forth his vision of people power.



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

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**Registered Office :** 1 Middleton Street, Kolkata 700 071, Tel : (033) 2240 22 10

**Regional Sales Offices :** Bangalore Indal House, 140 Field Marshal K.M. Cariappa Road, Bangalore 560 025, Tel : (080) 2558 50 51  
 • Kolkata 1, Middleton Street, Kolkata 700 071, Tel : (033) 2240 22 10 • Mumbai Air India Building, Nariman Point, Mumbai 400 021, Tel : (022) 2202 35 37 • New Delhi UCO Bank Building, Sansad Marg, New Delhi 110 001, Tel : (011) 2371 14 11

**Other Sales Offices :** Bhubaneswar Tel : (0674) 236 03 61 • Chennai Tel : (044) 2643 10 53 • Coimbatore Tel : (0422) 5535 942  
 • Hyderabad Tel : (040) 2789 23 89 • Pune Tel : (020) 2581 65 28

## MANAGEMENT TEAM

### BOARD OF DIRECTORS

Kumar Mangalam Birla  
*Chairman*

A.K.Agarwala  
*Vice Chairman*

S.K.Tamotia  
*President & CEO*

P.K.Choksey  
*Director*

N.J.Jhaveri  
*Director*

S.Misra  
*Director*

A.L.Mudaliar  
*Director*

B.L.Shah  
*Director*

### COMPANY SECRETARY

Aniruddha Sen

### AUDITORS

Price Waterhouse

### ADVOCATES & SOLICITORS

Sandersons & Morgans

### BANKERS

Standard Chartered Bank

Bank of America

Bank of Baroda

Citibank N. A.

Deutsche Bank

Punjab National Bank

State Bank of India

Syndicate Bank

The Hongkong & Shanghai Banking Corporation Limited

Union Bank of India

### MANAGEMENT COMMITTEE

S.K.Tamotia  
*President & CEO*

M.George  
*Executive President - Metal & Power*

S.Ray  
*Executive President - Chemicals & International Trade*

S.Talukdar  
*Executive President & Chief Financial Officer*

C.B.Agrawal  
*Senior Joint President - Planning & Monitoring*

A.K.Basu  
*Senior Joint President - Human Resources*

S.Banerjee  
*Senior Joint President - Sheet*

A.B.Powar  
*Senior Joint President - Technology*

V.K.Sood  
*Senior Joint President - Foil & Packaging*

S.Majumdar  
*Joint President - Engineering, Projects & Materials Management*

### UNIT HEADS

#### CHEMICALS

V.R.Agrawal  
*Alumina Refinery - Belgaum*

L.S.Rao  
*Alumina Refinery - Muri*

A.R.Rane  
*Bauxite Mines - Durgmanwadi/Chandgad*

H.Bhagwati  
*Bauxite Mines - Lohardaga*

#### ALUMINIUM

R.Misra  
*Smelter & Power Complex - Hirakud*

C.G.Jolly  
*Smelter & Extrusions - Alupuram*

P.S.Choudhuri  
*Sheet Mill - Belur*

C.Ramasamy  
*Sheet Mill - Talaja*

S.Barari  
*Foil Plant - Kalwa*

G.Chatterjee  
*Foil Plant - Kollur*

M.Kar  
*Coal Mines - Talabira*

## HIGHLIGHTS

### ■ OPERATIONS

- All time record in overall Sales, Profits and Exports.
- Outstanding performance of the Chemicals Business with record production from Belgaum and Muri Alumina Plants and highest ever sales.
- Highest metal production at the expanded Hirakud Smelter.
- Record Sheet output from Belur and Taloja Plants as well as sales and exports, despite fierce competition.
- High operational efficiencies with better capacity utilisation and sweating of assets, focused cost management and reduced working capital across most plants.
- Consistent performance by Alupuram Extrusions in the face of smelter de-energisation.
- Landmark year in Safety – ‘Zero Accidents’ across all plants and mines.

### ■ AWARDS & RECOGNITION

- Hirakud Smelter was awarded National Energy Conservation Excellence Award in the Aluminium Sector, presented by the Ministry of Power, GoI.
- FICCI Annual Award presented to Indal for Corporate Initiatives in Rural Development.
- CAPEXIL's Special Export Award, won for the third year in succession, for export of processed minerals.
- Greentech Environment Excellence Award Gold and Silver, won respectively by Belgaum Alumina and Belur Sheet, for outstanding achievement in environment management.
- Hirakud Power Plant was presented with the CII Eastern Region Quality Award for significant improvement in TQM in the Eastern Region.
- Hirakud Power Plant was awarded CII-EXIM Bank Certificate for Strong Commitment to TQM.
- OHSAS 18001 (Occupational Health and Safety Assessment System) Certification awarded to six more Indal locations.

# THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

With the economy having gained its sheen, and having surged at 8 per cent during the year, backed by a good monsoon, and a resurgence on all fronts, consumer sentiments naturally revived. These developments at the macro level had a salutary effect on your Company's operations.

Your Company's results have been indeed pathbreaking. Gross revenues at Rs.16,140 million have risen by 18 per cent, vis-à-vis Rs.13,710 million attained in the previous year. Profit before tax at Rs.1,837 million has soared by 32 per cent over that of the earlier year at Rs.1,391 million.

As you are aware, your Company is now a subsidiary of Hindalco, a non-ferrous metals power house and is delisted from stock exchanges.

To sustain growth levels, your Company has undertaken a slew of strategic initiatives and has embarked upon a further expansion of its Hirakud Smelter by 35,000 TPA, raising its capacity to reach a reasonable scale of 100,000 TPA.

To ensure the uninterrupted flow of power, the capacity of the captive power plant at Hirakud is being increased to 167.5 MW from 67.5 MW. Your Company's alumina capacity is being augmented through an expansion at the Muri Refinery to 500,000 TPA with the backward integration of the new bauxite mines in Jharkhand and Orissa. Plans are afoot to scale up the special alumina capacity at Belgaum to 127,000 TPA to service high value segments, and stretch the overall alumina capacity at this plant to 650,000 TPA. So you will notice that your Company is in an expansion mode on all fronts.



Asset sweating, maximising operational efficiencies and a tight rein on costs, continue to be the hallmark of your Company.

Going forward, I believe, the aluminium sector is on the cusp of growth. Worldwide, most economies are ratcheting upwards, backed by higher industrial production. In turn, this is expected to augment aluminium demand. Global aluminium demand is slated to rise at a CAGR of 5 per cent over the next couple of years vis-à-vis a growth rate of 3.3 per cent over nearly a decade.

A good sign is higher consumption from USA, parts of Europe and Asia. The flurry of activity in the transportation and housing sectors, enhanced spending on consumer durables across continents, bode well, stoking as they do the demand for alumina and metal usage.

In India as well, the tidings are encouraging. The ongoing progress in the Indian economy, and the heightened pace of activity in the electrical, automotive and construction sectors – should stimulate growth. A good monsoon, as forecasted by the meteorological team, would provide the extra flourish.

Your Company is very well-positioned for ongoing success. Strengthening its operating base through enhanced capacities, amplifying its product range and introducing a range of distinctive applications, along with entrenchment into new global markets – form the strategic contours of your Company, going forward.

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Behind your Company's considerable achievements, lies the intellectual and emotional commitment that our people bring to their work. Besides operational efficiency and project management skills, honed under the most demanding and competitive conditions, it is the spirit of entrepreneurship and the way all of our employees bond cohesively with the organisation. I wish to record my genuine appreciation of their contribution.

### **The Aditya Birla Group in Perspective**

Let me now take you through some of the key events of the last year:

- One, we completed the restructuring of the non-ferrous metals business. Consequently, Hindalco has become a non-ferrous metals powerhouse with a global size.
- Two, consistent with our objective of becoming a world-class, globally competitive, integrated copper player, we forayed into Australia with the acquisition of two copper mines – the Nifty Mines (2002-03) and Mount Gordon in the last year.

- Three, as part of our portfolio restructuring process, we completed the sale of our stake in MRPL. MRPL is now well placed to continue to prosper, now that it is free of the shackles that we were constrained by. In doing so, we have kept the faith that so many investors had reposed in us when investing in this company.
- We entered the land of the dragon, i.e., we ventured into China, with the acquisition of Liaoning Carbon Black. This 12,000 tonne Carbon Black plant will enhance our global presence in this business. We are now the fourth largest Carbon Black player globally.
- And finally, coming to market capitalisation: The market capitalisation of the listed Group companies in India increased 97.4% over the past year, far outpacing the rise of 62.7% in the BSE Sensex, over the same period. This measure reflects more than just numbers; it provides a sense of our standing in terms of governance, and the faith investors repose in us, and a recognition – at long last – of our efforts at value creation.

The year that has just gone by has been I believe, a watershed year for our Group. Because, in this year, we have seen the last of the major restructuring initiatives that we needed to undertake. We have emerged stronger, fitter and a leader in many ways. And, now, we are at an inflection point. We stand at the threshold of a new phase in the life of our organisation. I do believe that the rest of the decade – from here on – will be marked by a distinctly different theme. The earlier accent – on restructuring and consolidation – will give way to a phase of growth, not just incremental and normal growth, but accelerated growth. So, the dominant theme, from here on, will be aggressive growth.

### Focus On People

All these years, our team across the Group, has stretched incessantly to make the Aditya Birla Group a great place to work in. In one sentence, we have sharply focused on creating a meritocracy. For us, this meant putting in place systems to induct the right talent, for spotting and tracking nascent talent, for creating leaders with a cocktail of skills, who have exposure to different functions, businesses and countries.

Working with Hay Consultants, we have carried out an extensive job analysis and evaluation exercise. More than 4,500 jobs have been evaluated and competencies mapped. Succession plans are in place too. By and large, our objective is to make sure that the leadership-pipeline is always full of talented individuals who are raring to shoulder responsibilities that our various businesses offer.

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To foster a learning culture, at Gyanodaya, the Aditya Birla Institute of Management Learning, which is now looked upon as a benchmark for training, more than 2,130 executives were trained in 86 diverse programmes for honing their competencies, both for their current and future roles. A virtual campus has been launched through an e-learning portal. Over 3,884 unique users, from top-down and bottom-up have enrolled in these self-learning projects. More than 25,725 man-hours of learning have been logged. Our intent is to provide unrivalled learning opportunities to our people across levels.

*Today, our Group is anchored by an extraordinary force of 72,000 employees.*

*More than 70 per cent of these are under the age of 40 and over 12,000 of our people are drawn from 20 foreign nationalities. Even as the focus on managerial capability is becoming much sharper, we are building capabilities not for an Indian manager who works internationally, but for a global manager, who happens to be an Indian.*

Today, our Group is anchored by an extraordinary force of 72,000 employees. More than 70 per cent of these are under the age of 40 and over 12,000 of our people are drawn from 20 foreign nationalities. Even as the focus on managerial capability is becoming much sharper, we are building capabilities not for an Indian manager who works internationally, but for a global manager, who happens to be an Indian.

We are positioned in almost all our businesses at the cusp of a growth opportunity. Above all, our people have the passion that brings energy into the organisation.

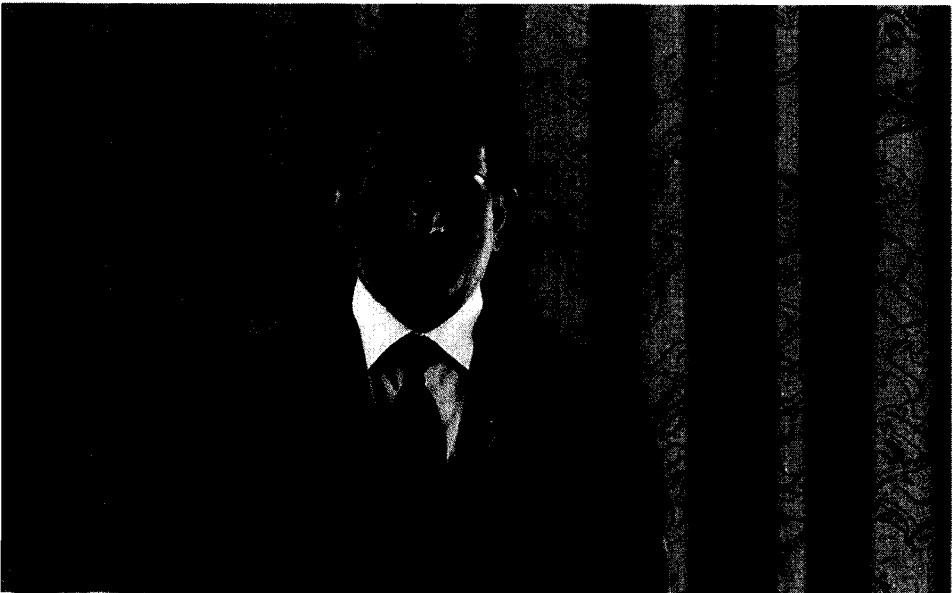
Best regards,

Yours sincerely,



Kumar Mangalam Birla

Mumbai  
7 May 2004



## MANAGEMENT DISCUSSION AND ANALYSIS

**Dr. S. K. Tamotia**  
**President & CEO**

### OVERVIEW

The year 2003-04 may be called the 'Year of Excellence' for your Company. Performance peaked at an all time high across all key performance measures, the most noteworthy being the improved quality of earnings. Aggregate revenues grew by 18% year-on-year (YoY), helped by sweating of assets across plants leading to higher volumes, superior product-mix and significantly higher exports. Net profits at Rs.1,321.5 million, were the highest ever, achieved by your Company, reflecting an 11% jump over the previous year.

Your Company's performance assumes greater significance when viewed in the context of the business challenges faced. Despite the rise in international prices on the LME, the Indian aluminium industry had to face appreciation of the Indian Rupee against the US Dollar and intense price competition from domestic and global players, in the downstream segments. The successive and unrelenting power tariff hikes in Kerala necessitated de-energisation of Indal's Smelter at Alupuram.

The focus on costs and efficiencies, thrust on value-added products and a positive change in product-mix helped counter the external challenges. Enhanced utilisation across businesses and record output of Alumina, Metal and Sheet further contributed to the all round stellar performance.

#### **Strategic initiatives to position Indal on a sustainable foundation**

With the expansion of the Hirakud Smelter completed, capacity has more than doubled since FY02, augmenting the captive metal base for downstream operations. To ensure uninterrupted power at economic rates, your Company is increasing the capacity of its captive power plant at Hirakud from 67.5 MW to 167.5 MW. The year saw substantial progress in its implementation and this should be operational by May 2005. Apart from ensuring availability of power, your Company also took proactive efforts to bring down its power cost by securing lease for a captive coal mine at Talabira – a maiden effort by any aluminium producer in the country. Operations at the Talabira mine commenced in October 2003 and have positively impacted energy costs during the last quarter of the year under review.

Simultaneously, to reap market opportunities, your Company raised its Special Alumina capacity at Belgaum from 91,000 tpa to 106,000 tpa during the year.

The full benefit of these strategic initiatives will be manifest in the coming years.

### BUSINESS PERFORMANCE REVIEW

Your Company has registered double-digit growth in revenues, operating profits and earnings after several years. Helped by record volumes and better realisation, the Chemicals Business emerged as the star performer. The aluminium segment reported mixed results. Metal & Power though plagued by power tariff increases at Alupuram, notched up better than expected performance at Hirakud. Sheet performance was driven by export growth, improved efficiencies