

INDAL



ADITYA BIRLA GROUP
ANNUAL REPORT
2004-2005

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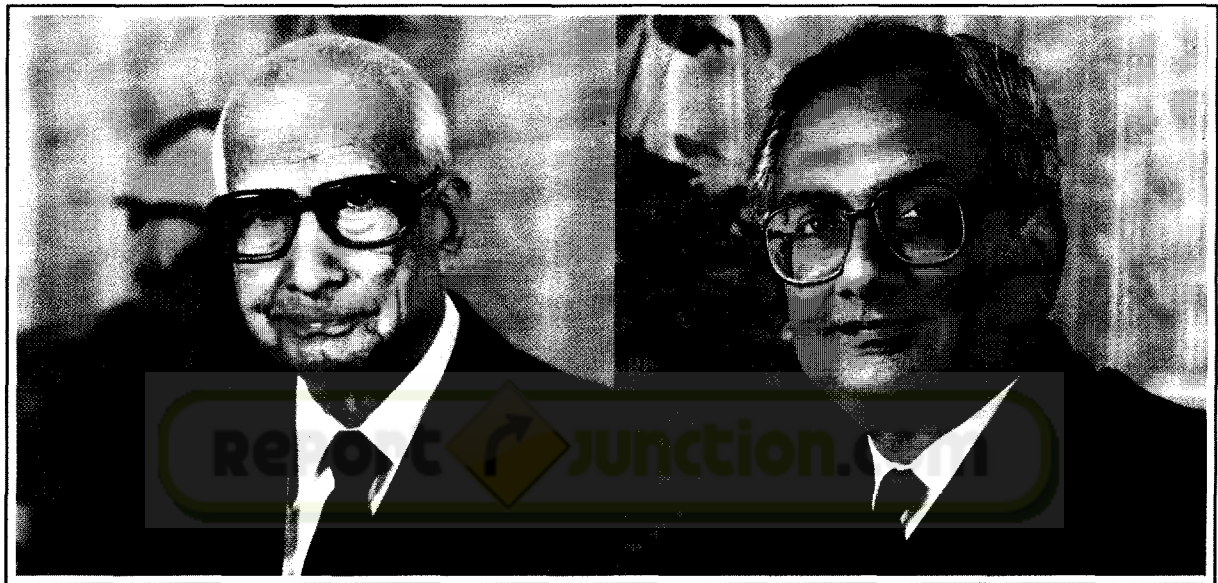
INDIAN ALUMINIUM COMPANY, LIMITED

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IN HOMAGE TO OUR LEGENDARY LEADERS



GHANSHYAMDAS BIRLA

ADITYA VIKRAM BIRLA

“WE LIVE BY THEIR VALUES”





OUR VALUES

Integrity

Commitment

Passion

Seamlessness

Speed

BOARD OF DIRECTORS

Kumar Mangalam Birla
Chairman

A.K. Agarwala
Vice Chairman

P.K. Choksey

N.J. Jhaveri

S. Misra

A.L. Mudaliar

B.L. Shah

PLANT HEAD
Varghese Eapen

COMPANY SECRETARY
Seema Chetani

AUDITORS
Price Waterhouse

BANKERS
State Bank of India
Punjab National Bank
The Hongkong & Shanghai Banking
Corporation Limited

COST AUDITORS
Mani & Co.

REGISTERED OFFICE
1 Prafulla Chandra Sen Sarani,
Kolkata 700 071

KOLLUR FOIL PLANT
Village Kollur
R C Puram Mandal, via Mutangi
Medak Dist - 502 300, AP

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REPORT OF THE DIRECTORS

Dear Shareholders

Your Directors present the 67th Annual Report, together with the audited accounts for the financial year April 2004 to March 2005.

Financial Results

(Rs Thousand)

	April 2004 – March 2005	April 2003 – March 2004
Sales and Operating Revenues	7,58,671	1,78,74,920
Of which exports	1,02,470	47,19,140
Operating profit (profit before Depreciation, Interest and Tax)	12,294	27,83,593
Interest	3,312	1,97,396
Depreciation	34,608	7,49,667
Profit/(Loss) before tax	(25,626)	18,36,530
Tax – Current	1,600	4,50,000
– Deferred	(11,775)	65,000
Profit/ (Loss) after tax	(15,451)	13,21,530
Appropriations:		
Transfers to:		
– General Reserve	–	1,27,160
– Debenture Redemption Reserve	–	50,000

Sales and Operating Revenues stood at Rs 7,58,671 thousand (previous year Rs 1,78,74,920 thousand). Loss after tax was at Rs. 15,451 thousand (previous year Profit after tax was recorded at Rs. 13,21,530 thousand).

Dividend

Your Directors do not deem it fit to recommend any dividend for the year ended 31 March 2005.

Corporate Developments

De-listing

As reported in the previous Report of the Directors, the equity shares of your Company had been de-listed from the Calcutta Stock Exchange Association Limited with effect from 31 March 2004 and from the Mumbai and the National Stock Exchanges from 8 April 2004. The Global Depository Receipts (GDRs) of the Company were delisted from the Luxembourg Stock Exchange with effect from 21 July 2004.

Demerger

Hindalco Industries Limited was holding approximately 96.53% of the share capital of the Company as on 31 March 2004. On 23 August 2004 your Directors approved a Scheme of Arrangement between your Company and Hindalco Industries Limited and their respective shareholders and creditors ("Scheme") and proposed to transfer all the business undertakings of the Company, other than the aluminium foils business of the Company at Kollur, Andhra Pradesh, to Hindalco Industries Limited ("Hindalco") on a going concern basis by way of a demerger with effect from 1 April 2004. In consideration for this Hindalco has issued shares to the public shareholders of the Company, based on the decided ratio. The demerger was proposed to be implemented in terms of the Scheme under the provisions of Section 391–394 of the Companies Act, 1956.

An application was made by the Company to the High Court at Calcutta for directions of the Court on 29 September 2004 under Section 391 to 394 of the Companies Act, 1956. The Hon'ble High Court passed an order dated 4 October 2004, pursuant to which meetings of Shareholders and Secured Creditors of the Company were called on 18 November 2004. The Scheme was approved by the shareholders and Secured creditors at the court convened meetings. Consequent to the Scheme the face value of the shares of your Company was reduced from Rs.10.00 per share to Rs.2.00 per share. An Extraordinary General Meeting of the shareholders was called on the same date to approve the capital reduction of the Company, which was duly approved.

Your Company filed petitions for sanction of the Scheme and Capital reduction on 23 November 2004 with the High Court at Calcutta. The Hon'ble High Court at Calcutta sanctioned the Scheme as well as the capital reduction vide order dated 23 December 2004. The Hon'ble High Court of Judicature at Bombay also sanctioned the petition filed by Hindalco for the Scheme vide order dated 14 January 2005. All statutory compliances and filings were completed and the Scheme was made effective from 7 March 2005 in accordance with the conditions and provisions of the Scheme.

The record date was fixed as 15 March 2005 and the shares of your Company having a face value of Rs.2.00 each have been sent/ credited to the shareholders/ account of shareholders alongwith 1 share of Hindalco for every 7 shares held in your Company in accordance with the Scheme.

The Demerged Undertaking has since been transferred to Hindalco. Some resulting post transfer procedural matters are under process. The Demerger has been one of the fastest and efficient demergers in India.

Operational Review

The Company, comprising Kollur foil plant, has focussed on value added products and made inroads into new markets. In view of the demerger of certain business units of the Company, its current year's figures do not include results of the demerged undertaking and accordingly are not comparable with those of the previous year.

Engineering Achievements

Cost reduction continued to be a major focus area of your Company through engineering and technical initiatives. Your Company strives towards gaining higher efficiencies through process control improvements and technological innovations.

Corporate Governance

In view of the delisting of shares and the new Debt Listing Agreement the Corporate Governance report is not mandatory however your Company re-affirms its commitment to the standards of corporate governance.

Associates and Related Companies

The Company had three subsidiaries Utkal Alumina International Limited, Indal Exports Limited and Suvas Holding Private Limited. Pursuant to the Scheme the share of the Subsidiaries formed part of the Demerged Undertaking and have been transferred to Hindalco. Hence the Company has no subsidiary.

Human Resource Development, Industrial Relations and Corporate Social Responsibility

Your Company recognises the value of people as its most valuable asset and believes that your Company's employees are central to its sustainable success.

The Kollur unit of the Company has remained accident free over last few years including 2004-05 and has achieved 1.55 million accident-free man-hours upto 31 March 2005.

Environment Protection and Pollution Control

Your Company has been strengthening its efforts towards sustainable development based on new initiatives and persistent improvements in economic, environmental and social factors of the business.

Your Company received the ISO 14001 certification during the year.

Investor Services

The unpaid / unclaimed fixed deposits and interest on them have been transferred to Hindalco Industries Limited, pursuant to the Scheme of Arrangement.

In terms of the provisions of Section 205C of the Companies Act, 1956, your Company transferred an amount of Rs 9,10,147.95 to the Investor Education and Protection Fund, relating to amounts lying unclaimed / unpaid for more than seven years from the date they became due, comprising the following:

<u>Nature</u>	<u>Amount (in Rs.)</u>
Unpaid Dividend	8,06,640.50
Unpaid Fixed Deposits	10,000.00
Interest on Fixed Deposits	93,507.45
Total	<u>9,10,147.95</u>

Of this Rs. 8,06,640.50 has been accounted for in the books of the Company and the remaining has been accounted for by Hindalco.

Directors

Dr. S.K.Tamotia President and CEO who had been associated with the Company since 2000, was appointed as Director for a period of three years which was extended upto 24 September 2004. Dr. Tamotia retired with effect from 24 September 2004. The Board placed on record its sincere and deep appreciation for the contribution and the services rendered by him, both as a senior executive and as a member of the Board.

Messrs P.K.Choksey, A.L.Mudaliar and N.J.Jhaveri retire by rotation from the Board in accordance with Article 117 of the Articles of Association of the Company and are eligible for re-appointment.

Auditors

At the Annual General Meeting held on 9 July 2004, the members had appointed Messrs Price Waterhouse as auditors of your Company, at a remuneration to be mutually agreed upon, from the conclusion of the sixty-sixth Annual General Meeting to the conclusion of the next Annual General Meeting. Messrs Price Waterhouse, being eligible offer themselves for re-appointment.

Appendices

Energy Conservation and Foreign Exchange Earnings and Outgo, details are given in Appendix I.

Information in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 – NIL

Disclosures in compliance with Accounting Standard – 18 on “Related Party Disclosures” forms a part of this Annual Report.

Directors’ Responsibility Statement

The Audited Accounts containing Financial Statements for the financial year ended 31 March 2005 are in full conformity with the requirements of the Companies Act, 1956. Your Directors believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present your Company’s financial condition and results of operations.

Your Directors further confirm that:

- (i) in the presentation of the annual accounts, applicable accounting standards have been followed;

- (ii) the accounting policies have been consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31 March 2005 and of the profit for the financial year ended 31 March 2005;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities;
- (iv) The annual accounts of your Company have been prepared on a going concern basis.

Appreciation

Your Directors place on record their deep appreciation of the assistance and guidance provided by the Hon'ble Ministers, Secretaries and other officials of the Central and the State Governments. Your Directors thank the financial institutions and banks associated with your Company for their support as well.

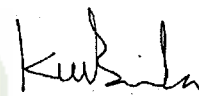
Your Directors place on record their deep appreciation of the commitment and contribution of your Company's employees.

Your involvement as shareholders is greatly valued.

For and on behalf of the Board

Mumbai
26 April 2005




Kumar Mangalam Birla
Chairman

ANNEXURE TO DIRECTORS' REPORT**A. Conservation of Energy**

- (a) Various measures taken in the heat treatment process resulted in reducing the specific energy consumption in heat treatment process by 35% over last year. Further potential in reduction in energy consumption is being pursued through energy audit of the plant.
- (b) Installation of Effluent Treatment plant reduced water consumption by 40% over last year which has resulted in reduced energy consumption.
- (c) The unit was certified for ISO14001 (1996) by BVQI for undertaking the Environment Management System during the year.

B. Technology

- (a) Introduction of in-house developed stain free hydraulic oil for the foil rolling mill to replace the existing hydraulic oil to reduce the rolling oil contamination and to improve foil quality.
- (b) Introduction of two new foil laminate structures namely "Scratch tickets" for lottery tickets and Heat Seal Lidding foil for Bottled Food packaging.

C. Foreign Exchange Earnings and Outgo

	2004-05 Rs. Thousand	2003-04 Rs. Thousand
Earnings on account of Export	102,470	4,758,150
Outgo on account of Imports, Commission	51,301	2,178,241
Net foreign exchange earned/(spent)	<u>153,771</u>	<u>6,936,391</u>

FORM A**Disclosure of particulars with respect to conservation of energy**

A. Power & Fuel Consumption	2004-05	2003-04
1 Electricity		
a) Purchased (For Prod'n)		
Units - kWh in '000	7377	8091
Total Rs million	32.3	34.3
Rate Rs/kWh	4.38	4.24
b) Own Generation		
i) Through Diesel Generator		
Unit - kWh in '000	153	35
Total Rs million	0.7	0.3
Rate Rs/kWh	4.50	8.47
2 Furnace Oil	-	-
Quantity - kilo litre		
Total Rs million		
Cost Rs/kilo litre		
3 Others		
(a) Low Sulphur Heavy Stock (LSHS)	-	-
Quantity - tonne		
Total Rs million		
Cost Rs/tonne		
b) High Speed Diesel (HSD)		
Quantity - kilo litre	28.6	13.0
Total Rs million	0.69	0.30
Cost Rs/kilo litre	24.09	23.08
(c) Light Diesel Oil (LDO)		
Quantity - kilo litre		
Total Rs million		
Cost Rs/kilo litre		
Power consumption (kWh/t)	2877	2703

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 of India.

FIXED ASSETS (comprising both tangible and intangible items) are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. The cost of machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are allocated over useful life of the related asset. Pre-operative expenses for major projects are also capitalised, where appropriate. Capital subsidies under Government schemes are credited to Capital Reserve.

The cost of fixed assets, acquisition of which is financed by foreign currency loans, are adjusted so as to show the liabilities for these loans, to the extent they are not covered by forward contracts, at the rates of exchange prevailing at the end of each accounting period.

Impairment loss is recognised when carrying amount of asset exceeds its recoverable amount. Reversal of such loss is also accounted whenever situation so warrants.

DEPRECIATION (including amortisation) on fixed assets is calculated on straight-line basis at rates which are in conformity with the requirements of the Companies Act, 1956. Leasehold land and mining leases are amortised over the lives of respective leases. The cost of machinery spares are amortised over the useful life of the related asset.

REVENUE is recognised on completion of sale of goods, rendering of services to third parties and / or use of the Company's resources by third parties.

REVENUE EXPENDITURE on Research and Development is expensed in the period in which it is incurred.

BORROWING COST attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

INVENTORIES are valued at lower of cost and net realisable value. The costs are, in general, ascertained under weighted average method on the basis of rates per unit of measurement determined after recording receipts for individual items of inventories.

LONG TERM INVESTMENTS are stated at cost less write down for any permanent diminution in carrying value.

CURRENT INVESTMENTS are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.

EARNINGS FROM INVESTMENTS, where appropriate, are accrued or taken into revenue in full on declaration or receipt and the tax at source thereon is treated as advance tax.

TRANSACTIONS IN FOREIGN CURRENCY outstanding at the Balance Sheet date are accounted at the contracted rate when covered by forward contracts and at exchange rates prevailing on the Balance Sheet date in case of others. Exchange differences are dealt with in the Profit and Loss Account, other than those relating to acquisition of Fixed Assets which are capitalised.

RETIREMENT BENEFITS are provided in the books of account and payments are made to the trustees of the Company's respective Funds and statutory authorities on the basis of actuarial valuation, where appropriate. The funds are administered by independent Boards of Trustees. Provisions are also made for leave encashment and post-retiral medical benefits, based on actuarial valuation.

COMPENSATION UNDER VOLUNTARY RETIREMENT SCHEME is treated as Deferred Revenue Expenditure (DRE) and amortised over a period of thirty six months.

PRIOR PERIOD and **EXTRAORDINARY** items and changes in **ACCOUNTING POLICIES** having material impact on the financial affairs of the Company are disclosed.

MATERIAL EVENTS occurring after the Balance Sheet date are taken into cognizance.

CURRENT TAX is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rates and laws. **DEFERRED TAX** is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation.