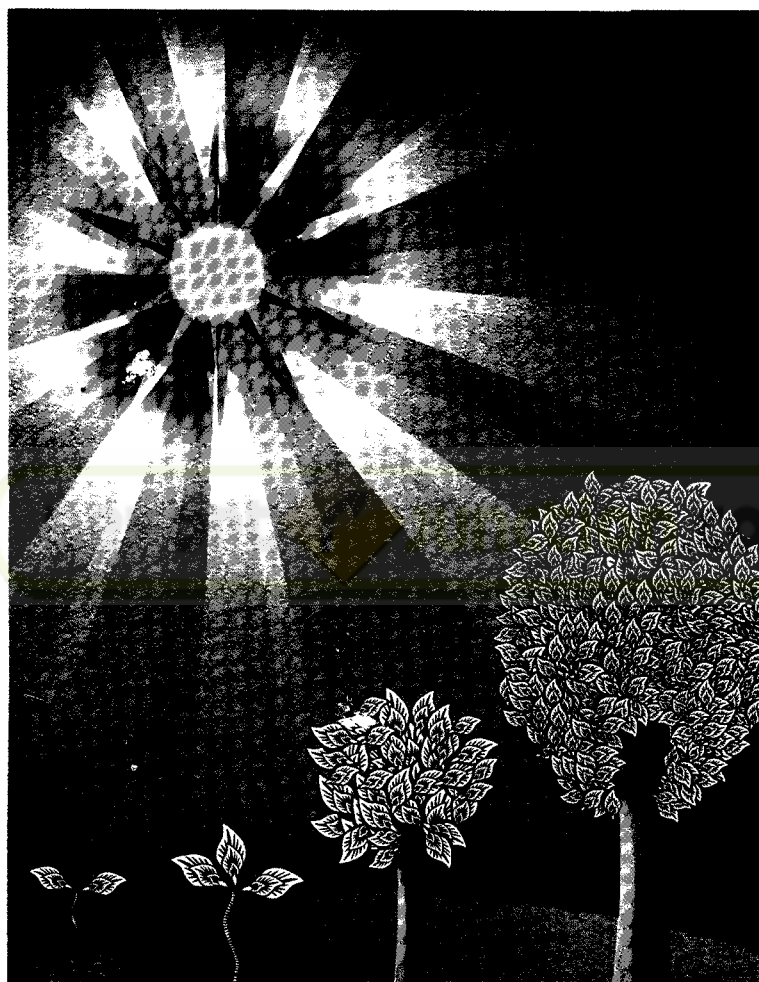




Indian Aluminium Company, Limited



ANNUAL REPORT | 2005 - 2006

*I*N HOMAGE TO OUR VISIONARIES
OUR INSPIRATIONS AND OUR GUIDING LIGHT



GHANSHYAMDAS BIRLA



ADITYA VIKRAM BIRLA



BOARD OF DIRECTORS

A. K. Agarwala
Chairman

P. K. Choksey

N. J. Jhaveri

S. Misra

A. L. Mudaliar

B. L. Shah

MANAGER
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
Tel - 2280 9710-19
Fax - 2288 3964

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 68th Annual Report, together with the audited accounts for the financial year April 2005 to March 2006.

Financial Results

	April 2005 – March 2006	(Rs Thousand) April 2004 – March 2005
Sales and Operating Revenues	729,664	758,671
Of which exports	101,457	102,470
Operating profit (profit before Depreciation, Interest and Tax)	19,595	12,294
Interest	2,570	3,312
Depreciation	34,622	34,608
Profit/(Loss) before tax	(17,597)	(25,626)
Tax – Current	4,345	1,600
– Deferred	(9,166)	(11,775)
– Fringe Benefit	551	–
Profit/(Loss) after tax	(13,327)	(15,451)

Sales and Operating Revenues stood at Rs.729,664 thousand (previous year Rs 758,671 thousand). Net Loss was Rs. 13,327 thousand (previous year Net Loss Rs. 15,451 thousand).

Dividend

Since your Company has not made any profit during the year under review, your Directors have not recommended any dividend.

Corporate Developments

Hindalco Industries Ltd., the holding company of Indal, has increased its holding from 96.98% to approximately 97.06% of the share capital of the Company as on 31 March 2006.

Operational Review

During the year your Company has consistently focused on value-added products and made inroads into new markets. Some major highlights include:

- 8 new products of foil, viz, different varieties of Lidding Foil, new variety of Cigarette Foil developed and supplied to various customers.
- 5 big new customers added.
- Significant improvement in delivery performance. From an average "On time" delivery of 85% during 2004-05, to over 90% during 2005 -06.
- Customer Complaint settlement time reduced significantly, i.e. from 123 days in 2004-05 to 65 days in 2005-06.

Engineering Achievements

In the face of various challenges, 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. For example:

- The X-ray Gauge Control System in the Rolling Mill was replaced with an indigenous system, which improved the gauge consistency in the mill.
- A new additional Plate Heat Exchanger was installed in the Rolling Mill system to enhance the oil cooling efficiency.
- In-house development in one of the Laminators, enabled coating of blister foil, thereby enhancing plant capability.

Corporate Governance

In view of the de-listing of shares of the Company the Corporate Governance report is not mandatory. However, your Company re-affirms its commitment to the standards of corporate governance.

Human Resource Development and Industrial Relations

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 6th Long term wage agreement was signed in the month of August 2005 with the wage roll employees for a period of three years.

The plant has remained accident free during the year and recorded 2.13 million accident free man-hours up to 31st March 2006.

Corporate Social Responsibility

In line with the Aditya Birla Group's social commitment, your Company has played an active role in supporting the education of local students of the Kollur Village High School. Recruitment of teachers, monitoring of the school activities and extending financial support, were the key initiatives undertaken.

Quality, Environment Protection and Pollution Control

Your Company continues to strengthen its efforts towards sustainable development with new initiatives and consistent improvements in the economic, environmental and social factors of the business.

Your Company has been re-certified for the Quality Management System Certification - ISO : 9001 : 2000 Standard in February, 2006.

The Environment Management System Certification ISO : 14001 of your Company has also been upgraded to the latest 2004 Standard.

Investor Services

In terms of the provisions of Section 205C of the Companies Act, 1956, your Company transferred an amount of Rs 15,58,689.00 to the Investor Education and Protection Fund, relating to amounts lying as unclaimed dividend for more than seven years from the date they became due.

Directors & Officers

Mr. Kumar Mangalam Birla, who has been associated with the Company since 27 June 2000 as Chairman and Director, has resigned from the Directorship of the Company with effect from 4 February 2006.

The Board placed on record its sincere and deep appreciation for the valuable contribution and guidance rendered by him during his tenure as Chairman and member of the Board.

Consequent to the resignation of Mr. K. M. Birla, Mr. A. K. Agarwala, Vice Chairman was appointed as Chairman of the Board, in the meeting of the Board of Directors held on 6 March 2006.

Dr. S. Misra and Mr. B. L. Shah 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.

Mr. Varghese Eapen was appointed as Manager of the Company, under the Companies Act, 1956 at the last Annual General Meeting held on 8 July 2005. He has resigned from the Company effective 1 June 2006.

The Board placed on record its sincere and deep appreciation for the contribution and services rendered by Mr. Eapen as Manager of the Company.

The Board at its meeting held on 28 April 2006, appointed Mr. Pankaj R. Shah as Manager of the Company, under the Companies Act, 1956 with effect from 1 June 2006, subject to the approval of Members.

Board of Directors

Your Company's Board includes 6 Non-Executive Directors, of which three Directors are independent directors. The Board met four times during the year.

Audit Committee

Your Company has an audit committee at the Board level. The Committee acts as a link between the management, the statutory auditors and the Board of Directors and oversees the financial reporting process. All members of the Committee are Non- Executive Directors. The Chairman is an independent director with sound financial and accounting knowledge.

The details of the composition of the Committee are as follows :

Name of Director	Nature of Director	Audit Committee Meetings	
		Held	Attended
Mr. P. K. Choksey, Chairman	Independent Director	2	2
Mr. A. K. Agarwala, Member	Non-executive Director	2	2
Mr. N. J. Jhaveri, Member*	Independent Director	2	2
Mr. A. L. Mudaliar, Member	Independent Director	2	2
Mr. B. L. Shah, Member	Non-executive Director	2	2

* has resigned as member of Audit committee w.e.f. 17 October 2005

During the year under review, the Audit Committee met twice, on 26 April and 17 October 2005. The Committee recommended the approval and adoption of the annual accounts for the financial year 2004-2005 and the half yearly accounts as on 30 September 2005.

Auditors

At the Annual General Meeting held on 8 July 2005, the Members had appointed Messrs Price Waterhouse, Chartered Accountants, as auditors of your Company, at a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors. Accordingly, it was agreed to pay Rs. 4,50,000/- to Messrs Price Waterhouse as auditors of the Company from the conclusion of the sixty-seventh Annual General Meeting to the conclusion of the next Annual General Meeting. Price Waterhouse, being eligible, offer themselves for re-appointment.

Audit Observations

The Auditors' observations have been adequately explained in the note (b) to Schedule 27.

Subsidiaries

The Company has no subsidiary company.

Appendices

Energy Conservation and Foreign Exchange Earnings and Outgo details are given in the Annexure.

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 2006 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:

- in the presentation of the annual accounts, applicable accounting standards have been followed;
- 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 2006 and of the profit for the financial year ended 31 March 2006;
- 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;
- 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 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



Askaran Agarwala
Chairman

Mumbai
28 April 2006

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

- a) Significant savings have been accrued in the specific energy consumption of foil annealing which has been reduced to 320 kwh/tonne from 412 kwh/tonne in the last year.
- b) The Contracted Maximum demand rating of the plant was derated to 2000 KVA during the year bringing in savings in the fixed minimum demand charges being paid for power.

B. Technology

The Company has got its Pharma Laminates registered for Drug Master File (DMF) and these have been approved by the US Food and Drug Administration (FDA) for use as a primary packaging material by drug manufacturers for supply to the US markets. This approval enables the plant to supply Pharma laminates to prestigious pharmaceutical product manufacturers who have presence in the western world.

C. Foreign Exchange Earnings and Outgo

	2005-06 Rs. Thousand	2004-05 Rs. Thousand
Earnings on account of Export	101,457	102,470
Outgo on account of Imports, Commission	36,125	51,301
Net foreign exchange earned/(spent)	<u>65,332</u>	<u>51,169</u>

FORM A**Disclosure of particulars with respect to conservation of energy****A. Power & Fuel Consumption**

	2005-06	2004-05
1 Electricity		
a) Purchased (For Prod'n)		
Units - '000 kWh	7277	7377
Total Rs million	29.5	32.3
Rate Rs/kWh	4.05	4.38
b) Own Generation		
i) Through Diesel Generator		
Unit - '000 kWh	26.8	153
Total Rs million	0.24	0.7
Rate Rs/kWh	8.85	4.50
2 Others		
a) Low Sulphur Heavy Stock (LSHS)		
Quantity - Tonne	-	-
Total Rs million		
Cost Rs/Tonne		
(b) High Speed Diesel (HSD)		
Quantity - kilo litre	9.64	28.6
Total Rs million	0.24	0.69
Cost Rs/kilo litre	24.62	24.09
(c) Light Diesel Oil (LDO)		
Quantity - kilo litre		
Total Rs million		
Cost Rs/kilo litre	-	-
Power consumption (kWh/t)	2916	2877

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.

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.

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 (monetary items) 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. Such capitalisation is restricted to only acquisition of fixed assets from a country outside India in case related foreign currency transactions are entered into on or after 1st April 2004.

RETIREMENT BENEFITS under defined benefit plans are provided in the books of account on the basis of actuarial valuation. Contribution payable in keeping with defined contribution plan are recognised as year's expenditure. Provision is also made for Leave Encashment 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 cognisance.

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. **FRINGE BENEFIT TAX** is accounted for based on the estimated value of fringe benefits for the period as per the related provisions of the Income-tax Act.

PROVISION is recognised when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for **CONTINGENT LIABILITY** is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. No provision is recognised or disclosures for contingent liability is made when there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote.

AUDITORS' REPORT

To the members of,
Indian Aluminium Company, Limited

1. We have audited the attached Balance Sheet of Indian Aluminium Company, Limited as at 31st March, 2006 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we report that:
 - i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to such programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed of by the Company during the year.
 - ii) (a) The inventory has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, the clauses (iii)(b), (iii) (c) and (iii)(d) of the paragraph 4 of the Order are not applicable.
 - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, the clauses (iii) (f) and (iii)(g) of the paragraph 4 of the Order are not applicable.
 - iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. The Company has not sold any service during the year. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control system.