

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		✓	✓
AGM	✓	✓	SRI	✓
YE	✓	✓		

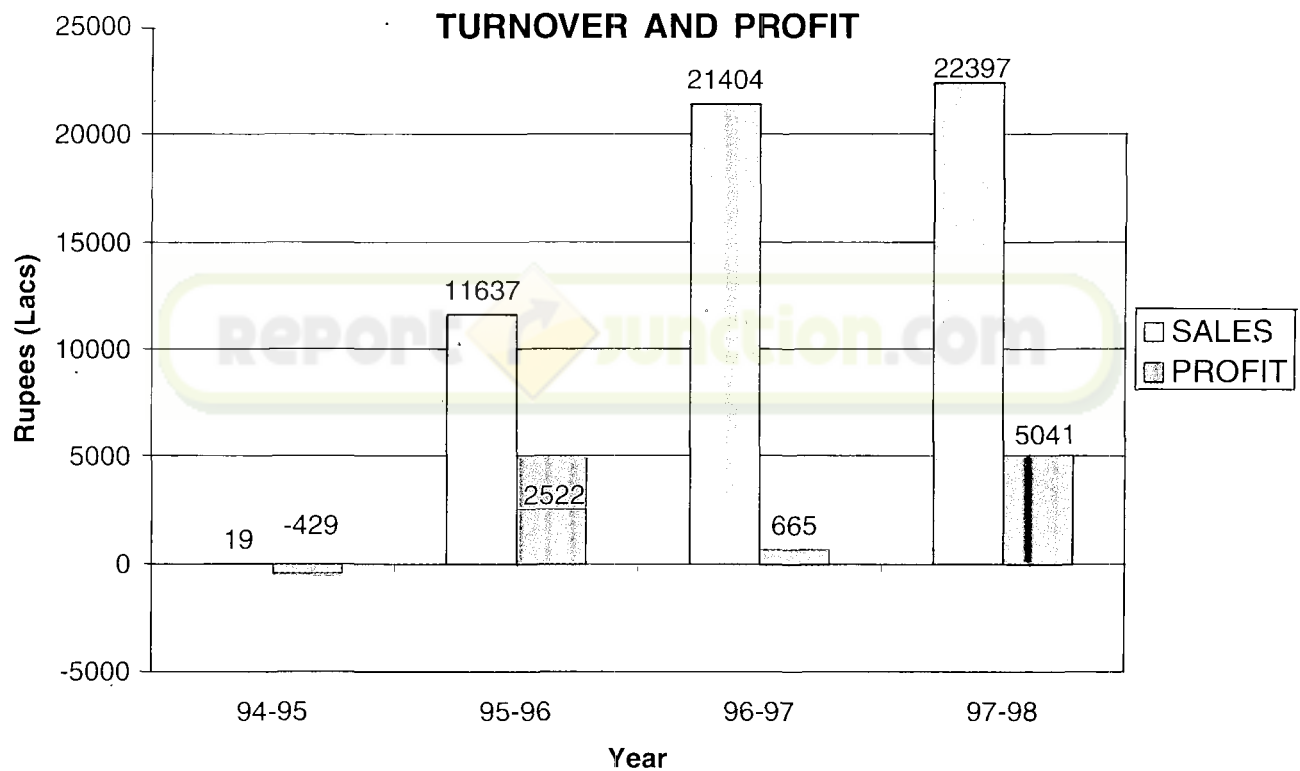


ANNUAL REPORT 1997 - 98

THE MADRAS ALUMINIUM COMPANY LIMITED

MALCO

TOWARDS SUSTAINED GROWTH



The figures for 1996-97 is for 15 months April '96 to June '97

BOARD OF DIRECTORS

ANIL AGARWAL
Managing Director

NAVIN AGARWAL

TARUN JAIN

A.R.NARAYANASWAMY

AGNIVESH AGARWAL

S.C.KRISHNAN

I.THIRUVETTAI
Nominee - TIIC

COMPANY SECRETARY
H.VISWANATH

AUDITORS

M/S. SURI & CO., Coimbatore

BANKERS

ABN - AMRO BANK N.V.
BANQUE NATIONALE DE PARIS
HDFC BANK

REGISTERED OFFICE & WORKS:

METTUR DAM R.S. 636 402
SALEM DIST, TAMIL NADU

TRANSFER AGENTS:

KARVY CONSULTANTS LIMITED
TKN COMPLEX
51/2, VANIVILAS ROAD
BASAVANAGUDI
BANGALORE 560 004
Fax No.[080] 6621169

✓
18/9/96



DIRECTORS' REPORT

Your Directors take pleasure in presenting the Thirtyeighth Annual Report of the Company with the Audited Accounts for the year ended 30th June 1998.

FINANCIAL PERFORMANCE

	[Rs. in lakhs]	
	1997-98	1996-97 [15 Months]
GROSS PROFIT	5148.38	722.41
Less : Depreciation	107.23	56.95
PROFIT BEFORE TAXATION	5041.15	665.46
Less : Provision for Taxation	Nil	Nil
Add : Profit brought forward	873.26	386.28
	5914.41	1051.74
Less: Preference Share Dividend for years 1995-96 & 96-97	—	38.48
Less: Transfer to		
- Capital Redemption Reserve	—	140.00
- General Reserve	—	—
Balance carried forward to next year	5914.41	873.26

OPERATIONAL PERFORMANCE

During the year under review, your Company achieved sales turnover of Rs.220.77 crores registering a growth of about 24 % on annulised basis compared to the previous year. The gross profit has grown to Rs.51.48 crores from Rs.7.22 crores and after considering extraordinary items of Rs.28.80 crores in respect of the previous year, the gross profit has increased by 43 %. Similarly, the net profit has increased to Rs.50.41 crores from Rs. 6.65 crores registering a growth of 43 %.

The reserves at the end of the year stood at Rs.66.64 crores when compared to accumulated net deficit of Rs.32.99 crores as on 31.3.1994, the last financial year prior to the approval of Scheme by Board for Industrial and Financial Reconstruction.

Production of Aluminium increased from 23225 tonnes to 25140 tonnes registering a growth of 8 %, and the production of Alumina increased to 45635 tonnes when compared to 43760 tonnes produced in the previous year registering a growth of 4 % on account of various steps initiated by the Company for improvement of productivity.

MODERNISATION :

Energy is a major input in the process of Aluminium and the Company has taken continuous efforts to reduce the energy consumption every year. Energy consumption has dropped from 19,251 units per m.t. to 18,808 units per m.t. on account of installation of Automatic Resistance Control System (ARC). We are in the process of finalising agreement with an international major for modernization of

our Smelter with which we are hopeful of achieving the operational performance factors comparable to any other international smelters.

CAPTIVE POWER PLANT :

As per the Scheme of the Board for Industrial and Financial Reconstruction the period of concessional power available to the Company will expire on 21st February 1999. As was informed in the last Directors' Report the Company had initiated steps for putting up a 75 MW Captive Power Plant. We are happy to inform you that considerable progress has been achieved in establishing the power plant. Most of the equipments have been received at the site and the civil work is nearing completion. The mechanical erection is in full swing and barring unforeseen circumstances we are confident that the power plant will be commissioned by March 1999. The Company has tied up financing the Captive Power Plant with The Industrial Credit and Investment Corporation of India Limited.

DISPUTE WITH TNEB :

The BIFR Order and the Government Order which were the foundation of the revival of the Company clearly provided that the Company is entitled for the concessional tariff of Re.1 per unit for a period of four years. However, we regret to bring to the attention of shareholders that Tamil Nadu Electricity Board has now demanded normal tariff with effect from May '96 claiming that the period of four years started from May 1992. The Company has taken up the matter before the Chennai High Court and we are pleased to inform that the Chennai High Court has stayed the Government Order subject to payment of Rs.5.00 crores

towards the demand raised by TNEB. The matter is pending before the Court and as per the legal opinion obtained the Company does not have any liability in the matter.

CHANGE IN THE METHOD OF ACCOUNTING :

The Company moving to generally accepted accounting procedure has changed its method of valuation of finished goods from selling price to cost or market price whichever is lower. Further the Company has also decided to treat Paste and Cryolite when issued and filled in the pots as consumed. Consequent to the above changes, the profit is lower by Rs.6.31 crores.

AUDITORS :

M/s. Suri & Co., the Auditors of your Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

As required by Section 217(1) of the Companies Act, 1956 and rules made therein, a report on conservation of energy, technology absorption, foreign exchange earnings and outgo is given in the Annexure attached hereto and forms part of this report.

EMPLOYEES :

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the

Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure to the Directors' Report. However as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT :

Your Directors gratefully acknowledge the co-operations received from the Central Government, the Government of Tamilnadu, Tamilnadu Electricity Board, Board for Industrial and Financial Reconstruction, Financial Institutions and Bankers.

Your Directors would also like to acknowledge the continued support of the Company's shareholders.

In conclusion, your Directors would like to record their deep appreciation of the dedicated support and services rendered throughout the year by the Company's personnel at all levels.

For and on behalf of the Board

NAVIN AGARWAL
Director

ANIL AGARWAL
Managing Director

Place : Mumbai
Date : 7th Sept., 1998

ANNEXURE TO DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1) (E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE, 1998.

A. CONSERVATION OF ENERGY :

- a. Energy conservation measures taken
- b. Additional investments and proposals, if any being implemented for reduction of consumption of energy:
- c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods.
- d. Total energy consumption and energy consumption per unit of production:

The Company is upgrading its production Units leading to reduction in energy consumption. It has installed Automatic Resistance Control System at its Smelter which has reduced power consumption by 400 units per tonne of Aluminium.

Proposal for Modernization of Smelter Plant at a total cost Rs.50 crores is under consideration.

- a) Reduction in energy consumption-400 units per tonne of Aluminium.
- b) (i) Increase in production by 6000 tonnes
(ii) Reduction in energy consumption-1200 units per tonne of Aluminium.

	1997-98	1996-97
(A) Power and Fuel Consumption :		
1. Electricity :		
a. Purchased		
Unit KWH - Lakhs	5089.30	6120.63
Total Amount - Rs. / Lakhs	5049.69	6085.35
Rate / Unit - Rs.	1.00	1.00
b. Own generation		
i) Through diesel Generation	Nil	Nil
ii) through steam turbine/generator:		



2. Coal (of various grades including Lignite) for Kilns	Nil	Nil
3. Furnace Oil		
Quantity - KI	22057.00	24437.00
Total amount - Rs. / Lakhs	1324.00	1559.56
Average rate - Rs. per KL	6002.63	6381.00
4. Others / Internal generation Qty	Nil	Nil
(B) Consumption per unit of Production		
	ALUMINA	ALUMINA
Electricity (KWH / Tn.)		
Furnace Oil / Tn.	0.442 K.L.	0.447 K.L.
Coal %		
Others		
Qty.		
Total Cost	ALUMINIUM	ALUMINIUM
Rate / Unit.	18808 Units	19369 Units
	per M.T.	per M.T.

B. TECHNOLOGY ABSORPTION :

(a) Efforts made in Technology absorption.

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company.

Nil

2. Benefits derived as a result of above R & D

3. Future plan of action

4. Expenditure on R & D:

a. Capital

b. Recurring

c. Total

d. Total R & D expenditure as a percentage of total turnover.

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief made towards technology absorption, adaptation and innovation.

The Company has put in efforts to produce value added products without external technology assistance

2. Benefits derived as a result of above efforts e.g. product improvement cost reduction, product development, import substitution, etc.

The Company has been able to produce value added products like Sheets and Alloy Wire Rods.

3. In Case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

The technology is fully absorbed and the Company has not imported any technology in last five years.

a. Technology imported

b. Year of Import

c. Has technology been fully absorbed ?

d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in lakhs)	
	1997-98	1996-97
Used	1336.56	228.87
Earned		

For and on behalf of the Board

Place : Mumbai
Date : 7th Sept., 1998NAVIN AGARWAL
DirectorANIL AGARWAL
Managing Director

MALCO**AUDITORS' REPORT**

To

The Members of The Madras Aluminium Company Limited

We have audited the attached Balance Sheet of THE MADRAS ALUMINIUM COMPANY LIMITED, as at 30th June, 1998 and the Profit and Loss Account for the Year Ended on that date annexed thereto and report that:

- a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by Law have been kept by the Company so far as it appears from our examination of such books.
- c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
- d) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit and Loss Account together with the Notes forming part of accounts give the information required by the Companies Act, 1956 in the manner so required and subject to:

The change in method of accounting in respect of :

- a. Valuation of Finished goods [Note No.12 (a)]
 - b. Valuation of Process Stock [Note No.12 (b)]
- on account of which the Profit for the year is lower by Rs.6.29 crores.

Give a true and fair view:

- i) In so far as it relates to the Balance Sheet of the statement of affairs of the Company as at 30.6.98
- ii) In so far as it relates to Profit and Loss account, of the PROFIT of the Company for the year ended on that date.

AND

As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 made by the Central Government under Section 227 (4A) of the Companies Act, 1956, we further report that :

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. The management has physically verified the existence of all fixed assets.
2. None of the fixed assets have been revalued during the year.
3. The Stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedure for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper is in accordance with the normally accepted accounting principle and is on the same basis except in the case of finished goods and process stock as specified Note No. 12(a) and 12(b).
7. The Company has not taken any loans from

Companies listed in the register maintained u/s.301 of the Companies Act, 1956 or from Companies under the same management as defined u/s.370 (1B) of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained u/s 301 of the Companies Act, 1956 or to the Companies under the same management as defined u/s 370 (1B) of the Companies Act, 1956.
9. Interest free advances in the nature of loans have been granted to the employees, Employees' Co-operative Society and Malco Vidyalaya and repayments have been made during the year. The advance to Malco Vidyalaya will be returned only when the deposit is returned by the Board of Education to Malco Vidyalaya.
10. In our opinion and according to the information and explanation given to us, there are adequate internal control procedure commensurate with the size of the Company and the nature of its business, with regard to the purchase of stores, raw-materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion, the transactions of purchase of goods and materials and sale of goods made in pursuance of contracts or arrangements entered in the Register maintained u/s 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party were made at prices which were reasonable having regard to prevalent market prices for such goods or materials or the prices at which transactions for similar goods or materials were made with other parties.
12. As explained to us, the Company has regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods.
13. The Company has not accepted any deposits from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap.
15. The Company has an internal audit system commensurate with its size and nature of its business.
16. The Company is having a system of maintaining cost records as prescribed by the Central Government u/s 209(1) (d) of the Companies Act, 1956.
17. The Company is regular in depositing the Provident Fund and ESI dues with the appropriate authorities.
18. There are no undisputed amount payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty which are outstanding for a period of more than six months from the date they became payable as at the last day of the financial year.
19. As per our information, no personal expenses have been charged to Revenue Account.
20. The Company is not a Sick Industrial Company within the meaning of Section 3(1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For SURI & CO.,
Chartered Accountants

Place : Coimbatore
Date : 7th September 1998

S.SWAMINATHAN
Partner



BALANCE SHEET AS AT 30TH JUNE 1998

Schedule	As at 30th June 1998	As at 30th June 1997
	(Rs in Lakhs)	(Rs. in Lakhs)
I. SOURCES OF FUNDS		
1. Shareholders' Funds		
(a) Share Capital	1	2250.00
(b) Reserves & Surplus	2	6664.18
		<u>8914.18</u>
		3900.80
2. Loan Funds		
(a) Secured Loans	3	3775.90
(b) Unsecured Loans		
		1076.10
3. Long Term Dues		
	4	3372.63
		<u>3338.17</u>
TOTAL		<u>16062.71</u>
		8315.07
II. APPLICATION OF FUNDS		
1. Fixed Assets		
(a) Gross Block	5	9385.84
(b) Less: Depreciation		8320.99
(c) Net Block		<u>6166.14</u>
		6259.63
(d) Capital Work in Progress and Advances for Capital Expenditure		<u>3219.70</u>
		2061.36
		<u>6886.40</u>
		9.58
		<u>10106.10</u>
		2070.94
2. Investments	6	<u>108.50</u>
		2000.50
3. Current Assets, Loans and Advances		
(a) Inventories	7	2018.81
(b) Sundry Debtors	8	4286.10
(c) Cash and Bank Balances	9	2660.35
(d) Loans and Advances	10	824.99
		<u>482.15</u>
		258.39
		<u>2482.15</u>
		511.55
		<u>7643.46</u>
		5881.03
Less: Current Liabilities and Provisions	11	<u>1795.35</u>
		1637.40
Net Current Assets		<u>5848.11</u>
		4243.63
TOTAL		<u>16062.71</u>
		8315.07

Schedule 1 to 11 and notes forming part of Accounts form part of this Balance Sheet
Vide our report of date attached

For and behalf of the Board

For SURI & CO.
Chartered Accountants

S.SWAMINATHAN

H.VISWANATH
Secretary

NAVIN AGARWAL
Director

ANIL AGARWAL
Managing Director

Partner

Coimbatore, Dated : 07th September '98.

Mumbai, Dated : 07th September '98.