

Madras Aluminium Co. Ltd.

Annual Report
1998 - 1999

BOARD OF DIRECTORS

ANIL AGARWAL
Managing Director

NAVIN AGARWAL

TARUN JAIN

A.R.NARAYANASWAMY

AGNIVESH AGARWAL

S.C.KRISHNAN

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
E-mail bangalore@karvy.com



DIRECTORS' REPORT

Your Directors take pleasure in presenting the Thirty ninth Annual Report of the Company with the Audited Accounts for the year ended 30th June 1999.

FINANCIAL PERFORMANCE

	[Rs. in lakhs]	
	1998-99	1997-98
GROSS PROFIT	3626.07	5148.38
Less : Depreciation	343.39	107.23
PROFIT BEFORE TAXATION	3282.68	5041.15
Less : Provision for Taxation	Nil	Nil
Add : Profit brought forward	5914.41	873.26
Balance carried forward to next year	<u>9197.09</u>	<u>5914.41</u>

OPERATIONAL PERFORMANCE

During the year under review your Company has achieved a sales turnover of Rs. 178.42 crores (220.77 crores). The gross profit is 36.26 crores (51.48 crores) and the net profit is 32.83 crores (50.41 crores).

Production of Aluminium was at 20482 M.T. (25140 M.T.) and production of Alumina was 37454 M.T. (45635 M.T.). This was mainly on account of reduced level of operations after 21st February 1999, on which date the concessional power tariff expired in accordance with the scheme of BIFR.

DISPUTE WITH TNEB

The Madras High Court has quashed the Order of Government of Tamil Nadu dated 10.12.1997 by virtue of which The Tamil Nadu Electricity Board had demanded normal tariff from 28.04.1996 onwards.

CAPTIVE POWER PLANT

Your Company has commissioned a 75 (3*25) MW captive power plant in phases commencing from May '99 and completed in July '99. The trial run of all the three units has been completed and the generation of power has now stabilized to cater to the requirement of energy for your Company.

Y2K COMPLIANCE

Your Company has taken adequate steps to ensure that all critical equipment, processes and systems are Y2K complaint and has prepared contingency plans for various areas of operation. Your Company does not anticipate any disruption due to the millenium change.

IMPLEMENTATION OF ENTERPRISE RESOURCE PLANNING (ERP)

Your company has successfully implemented Systems, Applications And Products in Data Processing (SAP R/3). This cross - functional software integrates all the functions of the organisation and automates business processes leading to improved Inventory management, Quality Assurance, increased productivity, efficient planning, faster bill processing, improved customer satisfaction and effective utilisation of financial resources.

DIRECTORS

The Tamil Nadu Industrial Investment Corporation Limited withdrew its nominee Mr. I. Thiruvettai. The Board places on record the invaluable services rendered by the above director.

Mr. Tarun Jain and Mr. Agnivesh Agwaral retire by rotation and being eligible offers themselves for re-election.

AUDITORS

M/s.Suri & Co., the Auditors of your Company, retire at the forthcoming Annual General Meeting and have expressed their inability to continue as Auditors. The board appreciates and places on record their long service & continued support to the company. M/s.Price Waterhouse & Co., Chartered Accountants were approached and have expressed their willingness to be appointed as Auditors of the Company.

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 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 Company at its Registered Office.

ACKNOWLEDGEMENT

The Board expresses its gratitude to your company's customers and vendors who have stood by your company over a long period of time and promises even better service and quality of products in the year to come.

Your Company values the co-operation received from the Central Government, the Government of Tamilnadu, Tamilnadu Electricity Board, 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 through-out the year by the Company's personnel at all levels.

For and on behalf of the Board

TARUN JAIN

Director

Place : Mumbai

Date : 3rd December, '99.

ANIL AGARWAL

Managing Director

ANNEXURE TO THE 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, 1999.

A. CONSERVATION OF ENERGY :

- a. Energy conservation measures taken The Company is upgrading its production Units leading to reduction in energy consumption.
- b. Additional investments and proposals, if any being implemented for reduction of consumption of energy. Proposal for modernization of smelter plant is under consideration.
- c. Impact of measures (a) & (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.

(I) Power and Fuel Consumption :	1998-99	1997-98
1. Electricity :		
a. Purchased Unit KWH - Lakhs	3738.93	5089.30
Total Amount - Rs. / Lakhs	4743.75	5049.69
Rate / Unit - Rs.	1.27	1.00
b. Own generation		
i) Through diesel Generation	Nil	Nil
ii) Through steam turbine/generator. (Units - Lakhs)	168.50	Nil
Cost per unit (Rs.) (Coal and Fuel Oil)	1.56	Nil
2. Coal (of various grades including Lignite) for Kilns	Nil	Nil
3. Furnace Oil		
Quantity - Kl	16995.00	22057.00
Total amount - Rs. / Lakhs	1018.43	1324.00
Average rate - Rs. per KL	5992.53	6002.63
4. Others / Internal generation Qty	Nil	Nil



(II) CONSUMPTION PER UNIT OF PRODUCTION

	Aluminium	Aluminium
Electricity (KWH / Tn.)	17756	18808
Furnace Oil (K.L. / Tn.)	0.454	0.442
Others		

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 therefore and future plans of actions.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in lakhs)	
	1998-99	1997-98
Used	9138.92	1336.56
Earned	0.21	---

For and on behalf of the Board

Place : Mumbai

Date : 3rd December, '99.

TARUN JAIN
 Director

ANIL AGARWAL
 Managing Director

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 1999 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 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 30.06.1999
AND
 - 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.
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 is 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 as in the immediately preceding previous year.
 - 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 granted loans to parties listed in the register maintained u/s.301 of the Companies

Act, 1956 and the rate of interest and the terms and conditions are not prima-facie prejudicial to the interests of the company and no loans have been granted to Companies under the same management as defined u/s. 370(1B) of the Companies Act, 1956.

- 9) The parties to whom the loans, or advance in the nature of loans, have been given by the company are repaying the principal amounts as stipulated and are also regular in repayment of the interest.
- 10) 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.
- 11) 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.
- 12) 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.
- 13) As explained to us, the Company has regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and losses, if any, have been duly provided in the accounts.
- 14) The Company has not accepted any deposits from the public.
- 15) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap.
- 16) The Company has an internal audit system commensurate with its size and nature of its business.
- 17) 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.
- 18) The Company is regularly depositing the Provident Fund and ESI dues with the appropriate authorities.
- 19) 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.
- 20) As per our information, no personal expenses have been charged to revenue account.
- 21) 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 : 3rd December, '99.

S.SWAMINATHAN
Partner