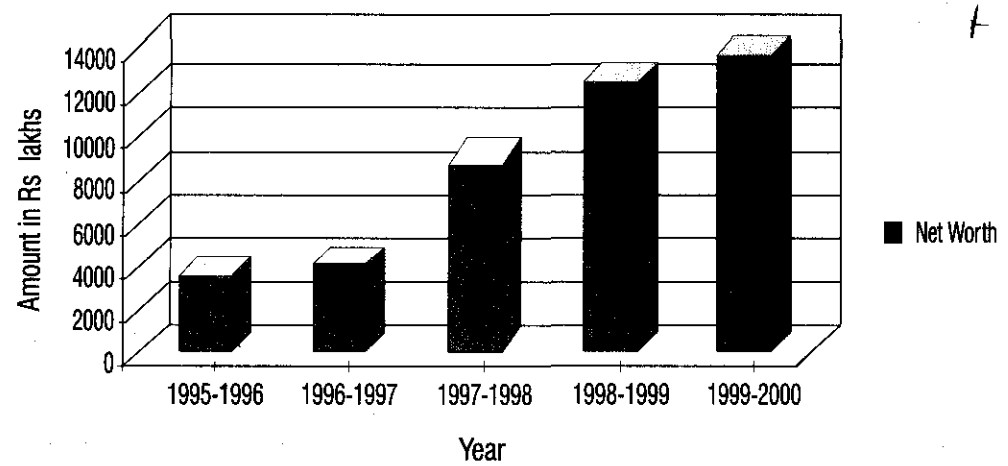
40th ANNUAL REPORT 1999-2000

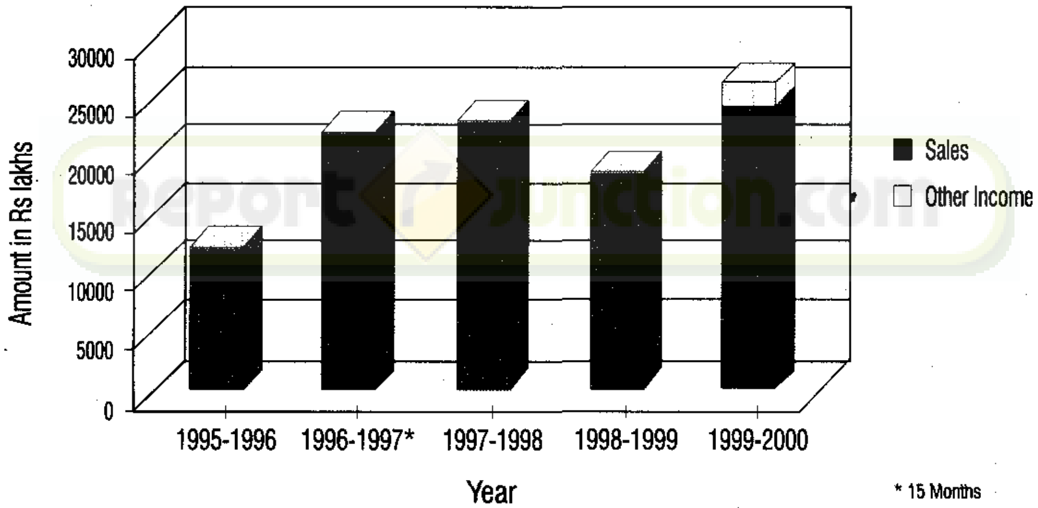
MALCO

THE MADRAS ALUMINIUM COMPANY LIMITED

NET WORTH



SALES & OTHER INCOME



SALES MIX FOR THE YEAR 1999-2000

CONTENTS	Page No

BOARD OF DIRECTORS

ANIL AGARWAL
Chairman & *Managing Director*

NAVIN AGARWAL

TARUN JAIN

A.R.NARAYANASWAMY

AGNIVESH AGARWAL

PRAVIN AGARWAL
Whole-time Director

S.C.KRISHNAN
Whole-time Director

AUDITORS

Price Waterhouse & Co., Mumbai

BANKERS

ABN AMRO BANK N.V.
BANQUE NATIONALE DE PARIS
HDFC BANK
ICICI BANK
INDIAN BANK
KARUR VYSYA BANK
STATE BANK OF INDIA

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

REPORT OF THE DIRECTORS

To the Members of The Madras Aluminium Company Limited

Your Directors take pleasure in presenting the Fortieth Annual Report of the Company with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL PERFORMANCE

[Rs. in lakhs]

	1999-2000	1998-1999
Income from Operations	23448.10	17842.09
Other Income	1765.20	414.32
Total Income	25213.30	18256.41
Profit Before Interest, Depreciation and Tax	7621.28	4104.32
Less : Interest	2673.73	478.25
Gross Profit	4947.55	3626.07
Less : Depreciation	1752.90	343.39
Profit Before Tax	3194.65	3282.68
Less: Provision for taxation	156.50	-
Profit After Taxation	3038.15	3282.68
Add : Profit brought forward	9197.09	5914.41
Profit available for appropriation	12235.24	9197.09
Less: Interim Dividend Paid	1575.00	-
Tax on Dividend	173.25	-
Transfer to General Reserve	303.81	-
Balance carried forward to next year	10183.18	9197.09

OPERATIONAL PERFORMANCE

During the year under review, your Company had achieved a sales turnover of Rs. 234.48 Crores registering a growth of about 31% as compared to the previous year's turnover of Rs. 178.42 Crores. The gross profit for the year was Rs. 49.47 Crores as against Rs. 36.26 Crores for the previous year. The net profit had decreased to Rs 30.38 Crores from Rs 32.82 Crores for the previous year. This decrease in profit was mainly due to the increase in the cost of power drawn from the TNEB grid during the period of stabilisation of the Captive Power Plant. Production of Aluminium increased to 23314 MTs for the year from 20287 MTs for the previous year registering a growth of about 15 % and the production of Alumina had also increased to 48504 MTs from 37454 MTs for the previous year registering a growth of over 29 % on account of various steps initiated by the Company for improvement of productivity.

Two units of the Captive Power Plant (CPP) with a capacity of 25 MW each were commissioned during the year, in addition to one 25 MW unit commissioned in the earlier year. The CPP has been operating at an average PLF of about 90.68%, which is amongst the best in thermal power plants and has generated 571.3 million units during the year.

FUTURE PLANS:

Your Company has entered into an agreement for transfer of technology with Techmo Car SPA, Italy for modernisation of its Smelter, which is expected to result in improvement of the process and environment and effect considerable reduction in energy consumption.

On completion of the modernisation project, it is proposed to take up an expansion project for increasing the capacity of Alumina from 60000 TPY to 90000 TPY and Aluminium from 29500 TPY to 47000 TPY. To cater to the requirement of increased power for the expansion project, it is also proposed to expand the capacity of the CPP by installation of another unit of 35 MW capacity. The cost of the project and the means of finance are under finalisation and the expansion of capacity is expected to be completed by mid 2002.

VIDEN

Your Directors are pleased to inform you that, after a gap of 20 years, the Company had declared an interim dividend @ 70% on the Equity Share Capital of the Company, for the year 1999-2000 and the same was paid in May 2000. The total outflow on account of this dividend payment was Rs. 1748.25 Lakhs (including Rs. 173.25 Lakhs towards tax on dividend). The Board has, in view of the quantum of dividend already paid, recommended that the interim dividend paid be confirmed as the final dividend for the financial year 1999-2000.

IRECTORS

Mr. Navin Agarwal and Mr. S.C.Krishnan, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Pravin Agarwal who was appointed as an additional Director on the Board of the Company holds office upto the ensuing Annual General Meeting and a notice has been received from a Member proposing the appointment of Mr. Pravin Agarwal as a Director under Section 257 of the Companies Act, 1956 at the ensuing Annual General Meeting.

EMPLOYEES' STOCK OPTION SCHEME

Your Company had, during the year, introduced a Stock Option Plan for its employees [ESOP], and had granted options under which they would be entitled to apply for and get allotted a specified number of Equity Shares of Rs. 10 each at a price of Rs. 65 per share. Options were granted for an aggregate number of 77,700 Equity Shares during the year. Your Company would be adopting the accounting guidelines prescribed under the SEBI (ESOS & ESPS) Guidelines, 1999, for treatment of the options granted under the ESOP and the shares that are to be allotted thereagainst. As required under the Guidelines a proportionate portion of the accounting value of the options granted has been amortised during the year. The information required to be given under SEBI (ESOS & ESPS) Guidelines, 1999 is given in Annexure 'B' to this report.

ENTERPRISEWIDE RESOURCE PLANNING

Your Company has implemented the SAP R/3 Enterprisewide Resource Planning software at its Captive Power Plant during the year. The successful implementation of SAP ERP package across the organisation, integrating all the functions of the organisation and automating business processes, is expected to result in better efficiencies in its operations and allied services.

AMALGAMATION WITH STERLITE INDUSTRIES (INDIA) LIMITED

As the Members are aware, the Scheme of Amalgamation for the Amalgamation of your Company with Sterlite Industries (India) Limited, was approved by the Members at the Extra-ordinary General Meeting of the Company held on 16th June 2000. A petition has been filed by your Company, in the Madras High Court for confirmation of the Scheme of Amalgamation.

The Scheme of Amalgamation would become effective only after the confirmation of the Scheme by the High Courts of Bombay and Madras.

DEMATERIALISATION OF EQUITY SHARES

During the year, your Company has entered into agreements with the National Securities Depository Limited and the Central Depository Services (India) Limited for providing electronic connectivity and dematerialised trading in the Company's Equity Shares. Consequently, the Members have the option to hold their shares in the Company in physical or electronic mode. Members who wish to dematerialise their shares may forward their request to the Share Transfer Agents of the Company, Karvy Consultants Limited, 51/2, TKN Complex, Vani Vilas Road, Basavanagudi, Bangalore - 560 004 through any registered Depository Participant.

ACQUISITION OF INDIA FOILS LIMITED

Your Company has, with a view to consolidate its presence in the Aluminium industry, and as a measure of forward integration of its products and facilities, acquired a controlling stake in India Foils Limited (IFL), Calcutta. IFL, which was part of the Williamson Magor Group, is a leading manufacturer of downstream aluminium products like aluminium foil and laminated flexible packagings. Consequent to acquisition of a controlling stake, your Company has taken over the management control of IFL, effective 30.3.2000. As part of the agreement entered into with the WM Group, your Company has acquired 1,10,00,000 Equity Shares of Rs. 10 each of IFL at a premium of Rs. 13.50 per share, amounting to 38.80 % of the existing Equity Share capital of that Company by subscribing to a preferential allotment of shares. Further your Company has subscribed for Equity Share warrants with the right to apply for and get allotted 1,00,00,000 Equity Shares of IFL of Rs. 10 each at a premium of Rs. 13.50 per share within 18 months of the allotment of the warrants. On the allotment of the Shares against the Warrants, the Shareholding of your Company in IFL would stand increased to 54.75%. With the acquisition of IFL your Company has gained a foothold in the foil and flexible packaging industry, which is expected to grow exponentially.

IFL was making losses at the time of take over by your Company primarily due to very high interest and finance costs, the accumulated losses at the end of the financial year 1999-2000 being Rs 40.80 Crores. The accumulated losses of IFL had resulted in the erosion of 50% of its average peak networth during the preceeding four financial years and as required under The Sick Industrial Companies (Special Provisions) Act, 1985, this fact is being reported to the Board for Industrial and Financial Reconstruction (BIFR) . Your Company is taking all steps to effect a turnaround of IFL by infusing financial and managerial inputs. Your Company is confident that IFL has instrinsic strengths and would be able to turnaround and start generating profits within a short span, with active support from MALCO.

AUDITORS

Price Waterhouse & Co., the Auditors of your Company, retire at the forthcoming Annual General Meeting and being eligible under Section 224 (1B) of the Companies Act, 1956, offer themselves for reappointment. Your directors recommend that the retiring auditors be re-appointed to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting.

YEAR 2000

Your Board is pleased to inform you that all the systems and installations of the Company had a smooth roll over to the new millennium.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to clause (e) of sub-Section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, viz., 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.

B. PARTICULARS OF EMPLOYEES

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given as an 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 are 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-operation and assistance received from the Central and State Governments, Financial Institution 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 by the Company's employees at all levels.

For and on behalf of the Board

NAVIN AGARWAL *Director* **ANIL AGARWAL** *Managing Director*

Place : *Mumbai*
Date : 28th August, 2000

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, 2000.

CON

a.	Energy conservation measures taken:	The Company is constantly working at improving its production process with a view to reduce energy consumption and conserve energy. Efforts are being taken to reduce the auxiliary consumption of energy at the Company's captive power plant.
b.	Additional investments and proposals, if any being implemented for reduction of consumption of energy:	Technology transfer agreement entered into for modernisation of the potroom, and improving the metal extraction process which is expected to result in reduced energy consumption.
c.	Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:	With the implementation of the new technology, the energy consumption per MT of metal is expected to reduce considerably.
d.	Total energy consumption and energy consumption per unit of production:	As per Form A annexed

B. TECHNOLOGY ABSORPTION :

e.	Efforts made in technology absorption	As per Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

f.	Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:	Nil
g.	Total foreign exchange used and earned:	

	Rs. in Lakhs	
	1999-2000	1998-99
(i) CIF value of imports	4233.94	6231.79
(ii) Expenditure in foreign currency	8.25	2907.13
(iii) Foreign exchange earned	Nil	0.21

FORM A

		1999-2000	1998-99
A. POWER AND FUEL CONSUMPTION :			
1. Electricity :			
a. Purchased			
Units (KWH) - Lakhs		200.82	3738.93
Total Amount - Rs. / Lakhs		1147.79	4743.75
Rate / Unit - Rs.		5.71	1.27
b. Own Generation			
i) Through Diesel Generator	]	Nil	Nil
Units	]	Nil	Nil
Units / litre of diesel	]	Nil	Nil
Cost / Unit	]	Nil	Nil
ii) Through Steam Turbine/Generator (Captive Power Plant)			
Units (KWH) - Lakhs		5712.99	168.50
Units / Tonne of coal		1990.30	1725.25
Cost / Unit		1.00	1.11

2.	Coal (Non-coking coal for Captive Power Plant)		
	Quantity (Tonnes)	287042.04	9766.63
	Total Cost (Rs. Lakhs)	5699.59	186.77
	Average rate (Rs. per tonne)	1985.63	1912.36
3.	Furnace Oil		
	Quantity - (KL)	8980.03	16995.00
	Total amount - Rs. Lakhs	795.00	1018.43
	Average rate - Rs. per KL	8852.98	5992.53
4.	Others / Internal Generation	Nil	Nil
B.	**CONSUMPTION PER UNIT OF PRODUCTION :**		
	Electricity (KWH / Tonne)	18937	17756
	Furnace Oil (KL / Tonne)	0.384	0.454
	Coal (Non-coking) (gms./KWH)	502	580

FORM B

(FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO 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	]	Not Applicable
	c. Total	]	
	d. Total R & D expenditure as a percentage of total turnover.	]	

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	None
2.	Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	Not Applicable
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.	No technology was imported during the past 5 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 action.

For and on behalf of the Board

Place : Mumbai
Date : 28th August, 2000

NAVIN AGARWAL
Director

ANIL AGARWAL
Managing Director

(Information required to be disclosed under the SEBI (ESOS and ESPS) Guidelines, 1999)

(a) *Options granted :* Options giving right to subscribe for 77700 Equity Shares

(b) *Pricing Formula :* Based on the average closing prices of the Equity Shares on The Stock Exchange, Mumbai, during the eight weeks preceding the date of grant of option viz., 17.6.2000.

(c) *Options vested :* Nil

(d) *Options Exercised :* Nil

(e) *Total number of shares arising as a result of exercise of the option :* Applicable only on exercise of options

(f) *Options lapsed :* Nil

(g) *Variation in the terms of option :* Nil

(h) *Money realised by exercise of the options :* Nil

(i) *Total number of options in force :* Options with rights to subscribe for 77700 Equity Shares

(j) Employeewise details of options granted to senior managerial personnel:

S.C. Krishnan	12000
N. Shashikanth	5000
Shirish Rangole	4000
B. Jagannatha Rao	4000
H.R. Raghavan	2000
B. Pandey	2000
N. Ponnusamy	2000
	31000

Diluted Earnings Per Share pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33 : Not applicable since no option has been exercised, as on the date of the report.

AUDITORS' CERTIFICATE ON EMPLOYEE STOCK OPTION SCHEME

We have examined the above statement with the books and records maintained by The Madras Aluminium Company Limited and produced to us and according to the information and explanations given, found the same to be in accordance with the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Mumbai
Date : 28th August, 2000