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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., Chennai

BANKERS

ABN AMRO BANK N.V.

BNP PARIBAS

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 BOARD OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS**To the Members of The Madras Aluminium Company Limited,**

Your Directors take pleasure in presenting the Forty-first Annual Report of the Company with the Audited Accounts for the year ended 30th June 2001.

FINANCIAL PERFORMANCE**(Rs. in Lakhs)**

	2000-2001	1999-2000
Income from Operations	30095.28	23448.10
Less : Operating Expenses	23275.73	17592.02
Operating Profit	6819.55	5856.08
Other Income	632.18	1765.20
PBDIT	7451.73	7621.28
Less : Interest	2694.49	2673.73
PBDT	4757.24	4947.55
Less : Depreciation	1859.01	1752.90
Profit Before Tax	2898.23	3194.65
Less: Provision for Taxation	123.50	156.50
Profit after Taxation	2774.73	3038.15
Add: Profit brought forward	10183.18	9197.09
Profit available for appropriation	12957.91	12235.24
Less: Interim Dividend Paid	-	1575.00
Final Dividend recommended	1575.00	-
Tax on Dividend	160.65	173.25
Transfer to General Reserve	277.47	303.81
Balance carried forward to next year	10944.79	10183.18

OPERATIONAL PERFORMANCE

During the year under review, your Company had achieved a sales turnover of Rs. 300.95 Crores registering a growth of about 28.35% as compared to the previous year's turnover of Rs. 234.48 Crores. The operating profit was Rs. 68.20 Crores as against Rs. 58.56 Crores for the year 1999-2000, an increase of 16.46 %. The gross profit for the year was Rs. 47.57 Crores as against Rs. 49.48 Crores for the previous year. The net profit has decreased to Rs. 27.75 Crores from Rs 30.38 Crores for the previous year, mainly on account of reduction in the other non-operational income (Rs. 6.32 Crores for the year as against Rs. 17.65 Crores for the previous year). There was also an increase in the cost of major inputs like Coal, Caustic Soda Lye, etc. and the customs duty on coal and these factors had also impacted on the profit of the company. Production of Aluminium increased to 28546 MTs during the year from 23314 MTs during the previous year, registering a growth of about 22.44% and the production of Alumina had also increased to 56021 MTs from 48504 MTs during the previous year, registering a growth of over 15.50% on account of various steps initiated by the Company for improvement of productivity.

The CPP operated at an average PLF of 98.47 % which is amongst the best in thermal power plants and has generated 664 million units during the year.

INDUSTRY OVERVIEW

All the major inputs used by the Company like Coal, Caustic Soda Lye, etc. have been showing an increasing price trend. This coupled with the increase in the Customs Duty on Coal has squeezed the margins of your Company. Your Company has been making representations to the Government for rationalizing the Customs duty on import of low ash non coking coal, in line with coking coal used by Iron and Steel industry and is hopeful that the representation would be considered favourably. Your Company has attempted to increase its realisations by changing the product mix and concentrating more on Aluminium Alloy Rods which give a better realisation. With your Company's acquisition of a strategic stake in India Foils Limited and the Sterlite Group's acquisition of management control of the Bharat Aluminium Company Limited (BALCO), the presence of the Sterlite Group in Aluminium is expected to be strengthened.

As the members are aware, the project for modernisation of the Smelter in technical collaboration with Techmo Car SpA., Italy has been taken up with a view to improve the process and environment and effect considerable reduction in energy consumption. The project is progressing steadily and the first lot of three point feeders are expected to be installed and commissioned shortly. The Company has availed of a term loan of Rs. 200 Million, from the World Bank's line of credit through ICICI for this modernisation project, which has already been drawn by the Company. The project has been approved by the World Bank and capital equipments imported for the project would be eligible for exemption from Customs Duty payment.

DIVIDEND

Your Directors are pleased to recommend payment of dividend @ 70% on the Equity Share Capital of the Company, for the year 2000-2001. The total outflow on account of this dividend payment would be Rs. 1735.65 Lakhs (including Rs. 160.65 Lakhs towards tax on dividend).

DIRECTORS

Mr. Tarun Jain and Mr. A.R.Narayanaswamy, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

EMPLOYEES' STOCK OPTION SCHEME

The Members are aware that your Company had during the year 1999-2000 introduced a Stock Option Plan for its employees (ESOP) and had granted options under which the employees of the Company were entitled to apply for and get allotted an aggregate number of 77,700 equity shares of Rs.10 each at a price of Rs.65 per share. Out of the options allotted, options for allotment of 7,350 equity shares lapsed during the year 2000-2001, on account of the grantees leaving the services of the Company before the date of vesting. These lapsed options have been accounted for, as required under the accounting guidelines prescribed under the SEBI (ESOS & ESPS) Guidelines, 1999. The first tranche of the options vested on 17.6.2001, by which the employees got the right to apply for and get allotted 35,175 equity shares and this right can be exercised on or before 16.6.2003. None of the employees have exercised their option as on 30.6.2001. As required under the SEBI Guidelines, a proportionate portion of the accounting value of the options granted has been amortised during the year 2000-01. 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 already implemented SAP R/3 Enterprise-wide Resource Planning software across the organisation, integrating all the major functions of the company and automating the business processes. Your Company is now in the process of developing a HR & Administration software package, to computerise all aspects of Personnel and General administration, thereby aiming towards complete automation of various business processes.

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. However, on a review, the Board decided not to proceed with the proposal.

DEMATERIALISATION OF EQUITY SHARES

As the Members are aware, your Company had 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. As on date 1,93,95,824 Equity Shares, constituting 86.20% of the total Paid-up Equity Share Capital, have been dematerialised and are being held in electronic form. Members who wish to dematerialise their shares may forward their request to the Share Transfer Agents of the Company, M/s. Karvy Consultants Limited, 51/2, TKN Complex, Vani vilas Road, Basavanagudi, Bangalore - 560 004 through any registered Depository Participant.

INDIA FOILS LIMITED

The India Foils Limited, Calcutta (IFL) which was taken over by your Company during the financial year 1999-2000 is in the process of stabilising its operations with management support from your Company. During the year ended 31st March, 2001, IFL had incurred a loss of Rs. 21.09 Crores which included Rs.16.31 Crores towards depreciation,

as against the previous year's loss of Rs. 40.40 Crores. It is heartening that the operations of IFL have started stabilising within a year of being acquired by your Company. Your Company is confident of the intrinsic strengths of IFL and is committed to effect a turnaround of IFL.

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 re-appointment. 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.

CORPORATE GOVERNANCE

Securities and Exchange Board of India (SEBI) Guidelines on Corporate Governance is applicable to your Company from the financial year 2001-2002. Your Directors have already taken steps for ensuring complete compliance with the Guidelines and have already constituted, in addition to the Share Transfer committee, Investor Relations and Grievance Committee and an Audit Committee. The Audit committee of the Directors was constituted at the Board Meeting held on 22nd January, 2001 pursuant to the provisions of Section 292A of the Companies Act, 1956. The Audit Committee met on 13th August, 2001 inter alia, to review the financial results for the year 2000-2001 and recommended the Annual Accounts for the year ended 30th June, 2001 to the Board for its approval.

ADEQUACY OF INTERNAL CONTROLS

MALCO has a system of internal controls to ensure that all assets are safeguarded and protected against loss due to unauthorised use or disposal and that all the transactions are duly authorised, properly recorded and correctly reported.

MALCO's internal control systems are supplemented by internal audit by a reputed firm of independent Chartered Accountants, regular review by the management and documented policies and procedures, which ensures the reliability of the financial statements and other operational data.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY, 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 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 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.

DIRECTORS' RESPONSIBILITY STATEMENT

Statement under Sub-section 2AA of Section 217 of the Act.

In the preparation of the Annual Accounts:

- i) The applicable accounting standards have been followed and wherever required, proper explanations relating to material departures have been given.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The accounts have been prepared on a going concern basis.

LISTING WITH STOCK EXCHANGES

Your Company's shares are listed on The Stock Exchange - Mumbai & The Madras Stock Exchange Limited and the listing fees for these Stock Exchanges upto the year 2000-2001 have been paid by the Company.

Conscious of its social obligations and aware of pollution control and environmental issues, MALCO has been constantly striving to improve the environment in which it operates; MALCO, has during the year, initiated the following measures :

- Commissioned Dustless Loading Spout to avoid dust emission during loading of fly ash into bulkers.
- Replacement of Shaker Bag filters of Aluminium Silo by more efficient New Pulse Jet Bag Filters.
- Planted over 1400 Saplings inside the factory premises, Railway Yard, Colony and sponsored the planting of over 1200 saplings in Mettur, Edapadi and Namakkal Municipalities, as part of Green Belt Development Programme.
- Segregation of seepage water and rain water drains to avoid contaminations.
- 100 % disposal of Ash to Cement industries.

HUMAN RESOURCES

Your Company is focussed towards developing quality human resources. The last one-year has been a very satisfying one, in terms of people related activities in MALCO. During the year, your Company had conducted a series of quality of work life programmes for the workmen and their families involving experts in the field of training and labour education and all the employees have responded with enthusiastic participation at the training programmes. All the employees have also enthusiastically involved themselves in activities like house-keeping, process and safety improvement, change of work practices, etc. The family members, especially spouses of the employees, have played a significant role as motivators in reducing the absenteeism and bringing out a positive mental attitude towards improving performance standards.

ACKNOWLEDGEMENT

Your Directors gratefully acknowledge the co-operation and assistance received from the Central and State Governments, Financial Institutions and Banks. 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.

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For and on behalf of the Board

Place : Mumbai
Date : 13th August, 2001

NAVIN AGARWAL
Director

ANIL AGARWAL
Managing Director

ANNEXURE 'A' 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, 2001.

A. CONSERVATION OF ENERGY :

a. Energy conservation measures taken :

The Company is constantly working at improving its production processes with a view to reduce energy consumption and conserve energy. Aluminium production is a power intensive process. Disruptions in power supply to Smelter not only reduces outputs but impacts specific power consumption. With the commissioning of all 3 units of Captive Power Plant in 1999-2000, the year 2000-2001 was the first full year of operation of the Company with its own Captive power and the grid only as backup. Due to consistent, adequate and reliable power supply, the energy consumption in the Smelter improved by 1500 KWH/MT. The Company launched a specific initiative called 'Project Puthaiyal' as a part of which a large number of drives were changed to Variable Frequency Drives, resulting in an estimated annualised savings of 85 lakh units of power.

b. Additional investments and proposals, if any being implemented for reduction of consumption of energy :

A Technology transfer agreement has been entered into with Techmo Car SpA, Italy, for modernisation of the Smelter, and improving the metal extraction process. This modernisation project is expected to result in considerable energy savings, in addition to improvement of the environment, on its completion.

c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods :

The implementation of the new technology, is expected to result in significant reduction in the energy consumption per MT of metal and consequently help the Company improve its competitiveness in the face of rising cost of energy.

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)

	2000-2001	1999-2000
(i) CIF value of imports	9083.15	4233.94
(ii) Expenditure in Foreign currency	2.01	8.25
(iii) Foreign exchange earned	51.34	Nil

FORM A

A. POWER AND FUEL CONSUMPTION.

1. Electricity :

	2000-2001	1999-2000
a. Purchased		
Units (KWH) - Lakhs	170.36	200.82
Total Amount - Rs. / Lakhs	1066.89	1147.79
Rate / Unit - Rs.	6.26	5.71

b. Own Generation		
i) Through Diesel Generator		
Units (KWH)	Nil	Nil
Units / Litre of diesel	Nil	Nil
Cost / Unit	Nil	Nil
ii) Through Steam Turbine/Generator (Captive Power Plant)		
Units (KWH) - Lakhs	6469.15	5712.99
Units / Tonne of Coal	1912.45	1990.30
Cost / Unit	1.43	1.00
2. Coal (Non-coking coal for Captive Power Plant)		
Quantity (Tonnes)	338265.42	287042.04
Total Cost (Rs. Lakhs)	9244.88	5699.59
Average rate (Rs. per Tonne)	2733.03	1985.63
3. Furnace Oil		
Quantity - (KL)	8908.80	8980.03
Total amount - Rs. Lakhs	822.96	795.00
Average rate - Rs. per KL	9237.61	8852.98
4. Others / Internal Generation	Nil	Nil
B. CONSUMPTION PER UNIT OF PRODUCTION :		
Electricity (KWH / Tonne)	17439	18937
Furnace Oil (KL / Tonne)	0.311	0.384
Coal (Non-coking) (gms./KWH)	523	502

Report  FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D) :

- Specific areas in which R & D carried out by the Company :
Due to the R&D efforts at the Company's Captive Power Plant, Variable Frequency Drives were installed in the CPP which has resulted in reducing the auxiliary consumption of power at the CPP considerably. For removal of colloidal silica and reducing blow downs and reduce coal consumption, an ultra-filtration unit is being installed at the Demineralisation plant of the CPP. The classification processes in Alumina plant were optimised resulting in improved outputs.
- Benefits derived as a result of above R & D :
Considerable reduction in the auxiliary consumption of power at the CPP was achieved on account of installation of VFDs. The installation of the ultrafiltration unit, is expected to reduce blow downs and consequently coal consumption.
- Future plan of action :
None
- Expenditure on R & D :
 - Capital)
 - Recurring)
 - Total)
 - Total R & D expenditure as a percentage of total turnover)

Not applicable