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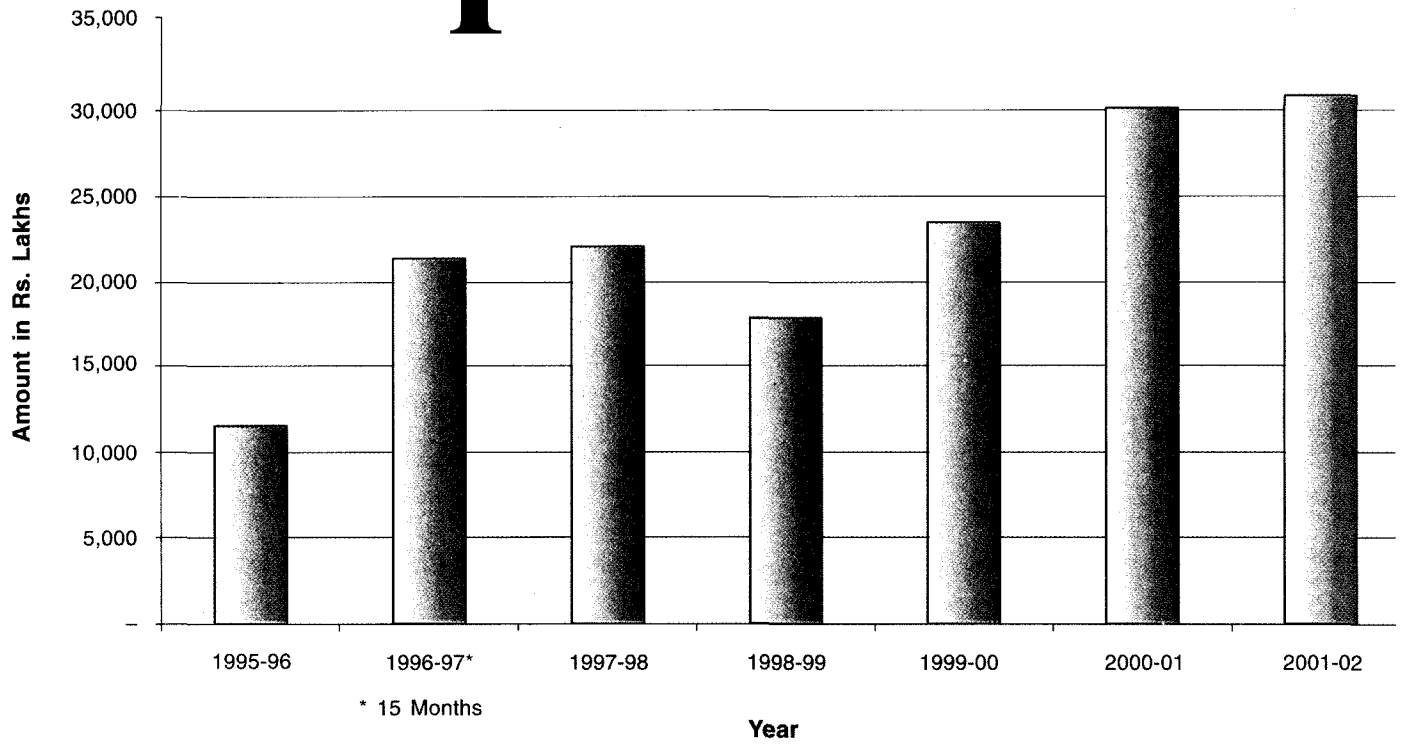
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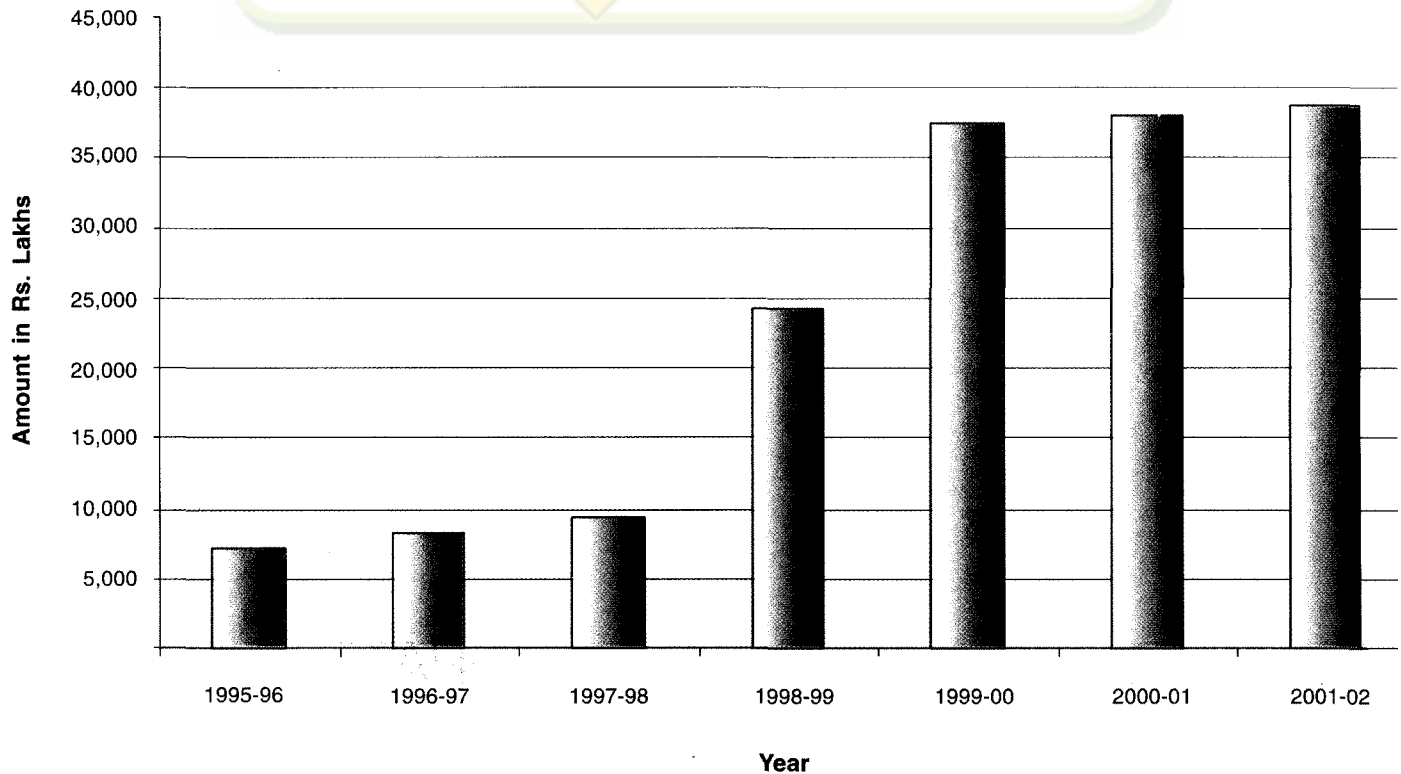
2001-2002

THE MADRAS ALUMINIUM COMPANY LIMITED

# Annual Reports Library



## GROSS FIXED ASSETS



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## **BOARD OF DIRECTORS**

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ANIL AGARWAL  
*Managing Director*

---

NAVIN AGARWAL

---

TARUN JAIN

---

A.R. NARAYANASWAMY

---

AGNIVESH AGARWAL

---

PRAVIN AGARWAL  
*Whole-time Director*

---

S.C. KRISHNAN  
*Whole-time Director*

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## **AUDITORS**

---

Price Waterhouse & Co., Chennai

## **BANKERS**

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ABN AMRO BANK N.V.  
HDFC BANK  
ICICI BANK  
INDIAN BANK  
STANDARD CHARTERED BANK  
STATE BANK OF INDIA

## **REGISTERED OFFICE & WORKS**

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

## **TRANSFER AGENTS**

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KARVY CONSULTANTS LIMITED  
TKN COMPLEX  
51/2, VANIVILAS ROAD  
BASAVANAGUDI  
BANGALORE 560 004  
Fax : [080] 6621169  
E-mail : bangalore@karvy.com

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## REPORT OF THE BOARD OF DIRECTORS

### To the Members of The Madras Aluminium Company Limited

Your Directors take pleasure in presenting the Forty-second Annual Report of the Company with the Audited Accounts for the year ended 30th June 2002.

#### FINANCIAL PERFORMANCE

(Rs. Lakhs)

	2001-2002	2000-2001
Income from Operations	30844.26	30095.28
Less : Operating Expenses	25130.46	23275.73
Operating Profit	5713.80	6819.55
Add : Other Income	404.32	632.18
PBDIT	6118.12	7451.73
Less : Interest	2509.28	2694.49
PBDT	3608.84	4757.24
Less : Depreciation	1829.43	1859.01
Profit Before Tax & Extraordinary item	1779.41	2898.23
Less : Extraordinary item	235.00	—
Profit Before Tax	1544.41	2898.23
Less : Provision for Taxation	155.00	123.50
Profit after Taxation	1389.41	2774.73
Add : Profit brought forward	10944.79	10183.18
Less : Adjustment for deferred tax	5523.72	—
Profit available for appropriation	6810.48	12957.91
Less :		
Final Dividend recommended	900.00	1575.00
Tax on Dividend	—	160.65
Transfer to General Reserve	138.94	277.47
Balance carried forward to next year	5771.54	10944.79

#### OPERATIONAL PERFORMANCE

The year under review witnessed increase in production of aluminium to 30125 MT from the previous year's 28653 MT, registering a growth of about 5.14%. The production of alumina also saw an increase to 58965 MT from the previous year's 56021 MT, registering a growth of 5.30%. The volume growth was possible on account of progress in modernisation and de-bottlenecking initiatives taken up by the Company.

The sales turn over of the Company witnessed an increase to Rs. 308.44 crore compared to previous year's Rs. 300.95 crore. The growth in sales turnover in spite of a favourable product mix was lower at 2.50% inspite of the volume growth at 5.14%. This was due to substantial drop in international price of aluminium (LME) resulting in decline of selling prices in the domestic market.

Consequently, gross profit for the year was Rs. 36.09 crore as against Rs. 47.57 crore for the previous year. The Net Profit also decreased to Rs. 13.89 crore from Rs. 27.75 crore due to squeeze on the revenue on one side and increase in cost of certain basic inputs like, CPC, reduction in quantum of wheeled power and certain extraordinary expenditures on the other side.

The performance of your Company's power plant is amongst the best in the thermal power plants operating globally. The power plant generated 656 Million Units during the year compared to 649 Million Units during the previous year.

#### OVERVIEW

The consumption of aluminium globally was flat at 20.70 Million Tonnes during the year whereas capacity additions / expansions continued, particularly in China leading to a drop in aluminium prices (LME) by as much as 150 USD. Further, the Government of India, in the Finance Budget 2002-03 reduced the customs duty on import of primary aluminium from 25% to 15%.



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Some of the key raw materials used by the Company like, Calcined petroleum coke have shown substantial increase in prices. It is worth noting that while the Government of India has reduced the custom duty on the import of finished products to 15%, the duty on the vital inputs like, calcined petroleum coke, pitch, caustic soda, low ash non-coking coal, etc. continues to be at 25%. Your Company has made representations to the Government of India as well as Aluminium Association of India for providing a level playing field by rationalising the customs duty. Away from coal pit-heads, your Company depends upon import of low ash coal to meet the stringent environmental regulations. Your Company is hopeful of favourable consideration of its representation on rationalisation of custom duty in line with the coking coal used by Iron and Steel Industry.

In the domestic market, the outlook on Aluminium Industry is positive with the likely demand push from the consumer durables sector, construction industry, with growth signals from the automobile industry and above all the focus of Government on infrastructure development and the restructuring of the State Electricity Boards. Domestic demand is therefore expected to grow at the average rate of 5 to 6% over next 3 to 5 years.

## **MODERNISATION AND EXPANSION PLANS**

To improve its long-term viability your Company has been continuously looking for ways and means to improve its competitiveness. Investment in having its own captive power plant was the first attempt which was followed by investment in some balancing equipment both in alumina plant and the smelter. Your Company is now in an advanced stage of modernising its smelter under advice from an Italian company, M/s.Techmo Car, SpA.

The computerised process control for all the pots and the magnetic compensation were successfully commissioned during the year. The modernisation also comprises feeding of alumina to the pots using computer controlled point feeders. The point feeders are under installation. With the modernisation in place the pots are subjected to operate at higher current intensity, requiring changes in the method of operations. Modernisation will result in reduced energy consumption, further increase in output and reduced emission levels by end of the financial year 2002-2003.

As a part of de-bottlenecking and capacity balancing in the alumina plant and to increase the output levels to the required 70,000 TPA, Kiln No.1 was retrofitted to improve its output from 75 MT to 115 MT per day and to reduce the oil consumption.

## **DIVIDEND**

Your Directors are pleased to recommend payment of dividend @ 40% on the Equity Share Capital of the Company, for the year ended 30th June 2002. The total outflow on account of this dividend payment would be Rs. 9 crore.

## **DIRECTORS**

Mr. Anil Agarwal, Managing Director and Mr. Agnivesh Agarwal, Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. S.C. Krishnan, who has been appointed as Whole Time Director, has submitted his resignation and accordingly, he will cease to be a Whole Time Director from 31st July 2002. Your Directors place on record and acknowledge the substantial contributions made by him. Mr. S.C.Krishnan shall continue to be a Director of the Company.

Mr. Agnivesh Agarwal has been appointed as Whole Time Director w.e.f. 1st August 2002 in the Board Meeting held on 30th July 2002. His appointment is subject to approval by shareholders. Your Directors recommend his appointment.

## **EMPLOYEES' STOCK OPTION SCHEME**

The disclosure required to be given under Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 is given in Annexure 'B' to this report. The Certificate of the Auditors as required under the said guidelines is also attached.

## **DEMATERIALISATION OF EQUITY SHARES**

As the Members are aware, 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. As on date, 1,94,50,330 equity shares, constituting 86.45% 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

India Foils Limited (IFL) which was taken over by your Company during the financial year 1999-2000 is in the process of stabilising its plants with management support from your Company. During the year ended 31st March 2002, IFL incurred a loss of Rs. 21.04 crore which included Rs. 16.09 crore towards depreciation as against the previous year's loss of Rs. 21.09 crore. Your Company is confident of the intrinsic strengths of IFL and is committed to effecting a turnaround of IFL.

IFL has forfeited Rs. 2.35 crore being the application money paid by your Company on 1,00,00,000 share warrants @ Rs. 2.35 per warrant allotted on preferential basis on 30th March, 2000, due to non-payment of allotment money of Rs. 21.15 per share warrant on or before 30th September, 2001, as required under the Guidelines on preferential allotment of SEBI.

## AUDITORS

M/s. Price Waterhouse & Co., 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.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

## ADEQUACY OF INTERNAL CONTROLS

Your Company 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.

Your Company'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 ensure 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 Members of the Company excluding the aforesaid information. Any Member 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 Companies Act, 1956

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 and the Madras Stock Exchange Limited and the listing fees for these Stock Exchanges up to the year 2001-2002 have been paid by the Company.

## **ENVIRONMENT**

Your Company is conscious of its social obligations and aware of pollution control and environmental issues. Your Company has constantly strived to improve the environment in which it operates and achieved the following during the year

- Commissioned a Sewage Treatment Plant
- Commissioned a Dust collector system to control alumina dust emission in air, within the prescribed limits
- Planted more than 7,000 saplings and distributed 2,000 saplings to the public
- Conducted Public Awareness Programme on the impact of using non-biodegradable plastics
- Published a hand book on Environment in Tamil on the World Environment Day to enhance the awareness of our employees and their family members, which was very much appreciated by Pollution Control Board Officials
- Renovated two Anganvadi Centres

## **HUMAN RESOURCES**

Your Company has given a focussed attention to Human Resource development by the formulation of a clear HR road map. Long-term wage settlement was reached with the workmen including bonus settlement for four years.

To have a focussed attention on the achievement of organisational goals and objectives, the organisation has been restructured into 3 Strategic Business Units (SBUs) viz., Mines and Alumina, Aluminium and Captive Power Plant during this year. This was done for effective utilisation of resources, better control and expeditious decision making.

Your Company conducted an ACTUP study within the organisation through an external consulting agency, to assess the manpower quality and potential, in order to design career growth plans.

Your Company also introduced a new incentive scheme for all employees to give a focussed and sustained attention on productivity increases. HR has played a proactive role throughout the year and achieved disturbance free operations and facilitated improved production and productivity.

## **ACKNOWLEDGEMENT**

Your Directors gratefully acknowledge the co-operation and assistance received from the Central and State Governments, 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 by the Company's employees at all levels.

For and on behalf of the Board

Place : Mumbai  
Date : 30th July 2002

**Tarun Jain**  
Director

**Anil Agarwal**  
Managing Director



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## 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 2002.

### A. CONSERVATION OF ENERGY

#### a. Energy conservation measures taken

Energy conservation initiatives are continuing and now we have a certified energy manager on our rolls. The measures initiated in the last year have not only been sustained but a further saving of 10 lakh units have been achieved in this year in the captive Power Plant.

Besides sustaining the implemented schemes, we have planned activities to achieve a savings of around 10 lakh units per annum, other than the energy conservation benefits of Techmo modernisation.

Specific steam consumption reduced with the usage of high pressure water jet cleaning system for improved heat transfer rate.

Electrical energy saved through identification of inefficient loops.

Electrical energy saved across kiln ESP through optimisation of field current.

#### 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

#### a. Efforts made in technology absorption

As per Form B annexed.

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## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans: Nil

- b. Total foreign exchange used and earned

	2001-2002	(Rs. Lakhs) 2000-2001
(i) CIF value of imports	7,135.92	9,083.15
(ii) Expenditure in foreign currency	141.77	2.01
(iii) Foreign exchange earned	21.97	51.34

## FORM A

### A. POWER AND FUEL CONSUMPTION

#### 1. Electricity

##### a. Purchased

Units (kWh) – Lakh	163.21	170.36
Total Amount – Rs. Lakh	1,251.44	1,066.89
Rate / Unit – Rs.	7.67	6.26

##### b. Own Generation

##### i) Through Diesel Generator

Units	Nil	Nil
Units / litre of Diesel	Nil	Nil
Cost / Unit	Nil	Nil

##### ii) Through Steam Turbine/Generator (Captive Power Plant)

Units (kWh) – Lakh	6,556.29	6,469.15
Units / Tonne of Coal & Petcoke	1,875.94	1,912.45
Cost / Unit	1.43	1.43

#### 2. Coal (Non-coking Coal for Captive Power Plant) & Pet Coke

Quantity (Tonnes)	3,49,493.14	3,38,265.42
Total Cost - Rs. Lakh	9,391.31	9,244.88
Average rate - Rs. per tonne	2,687.12	2,733.03

#### 3. Furnace Oil

Quantity – (Kl)	9,144.56	8,908.80
Total Amount – Rs. Lakh	795.43	822.96
Average rate – Rs. per Kl	8,698.44	9,237.61

#### 4. Others / Internal Generation

	Nil	Nil
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### B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity (kWh / Tonne)	17,373	17,439
Furnace Oil (Kl / Tonne)	0.303	0.311
Coal (Non-coking) & Pet Coke (gms./kWh)	0.532	0.523