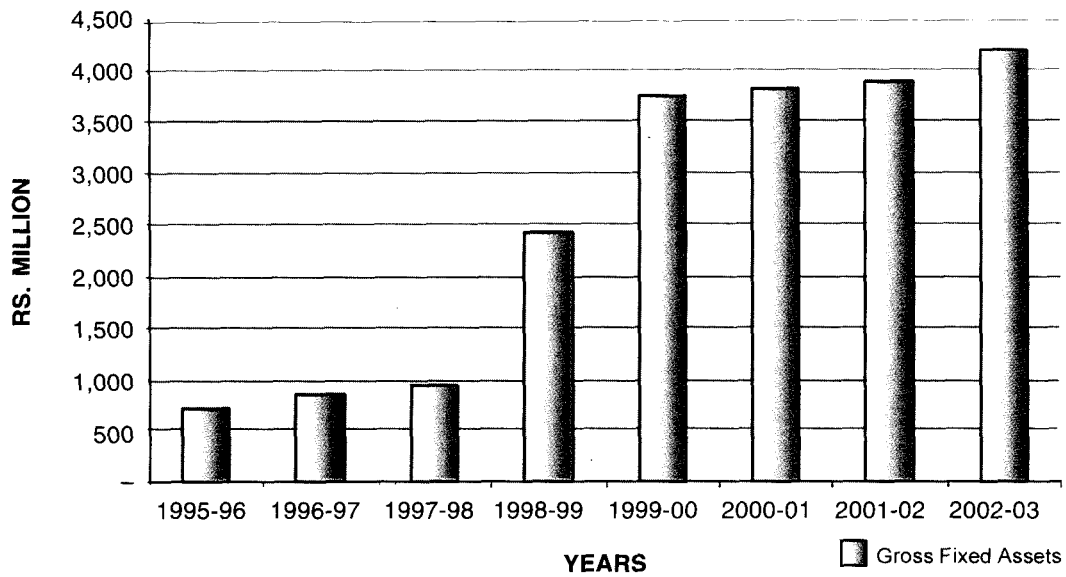




43rd Annual Report  
2002-2003

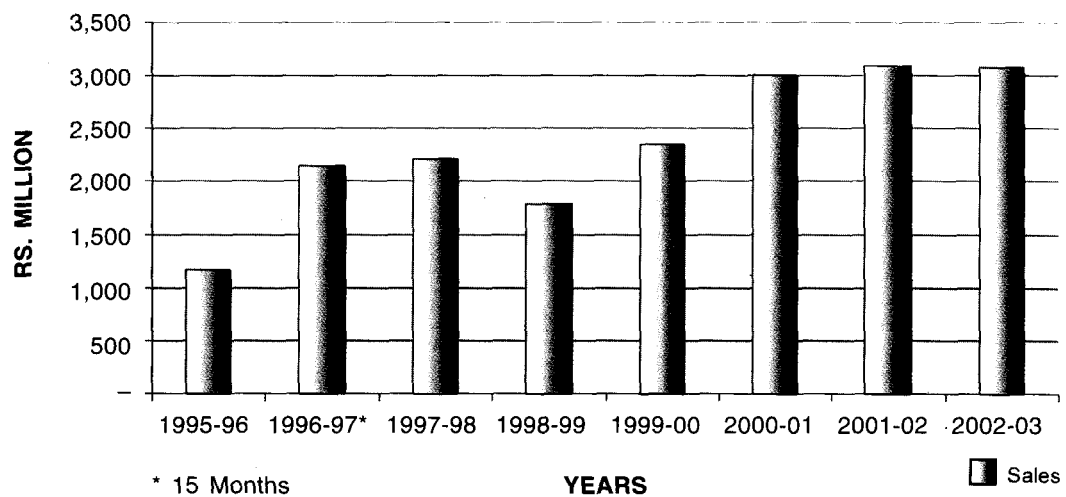
THE MADRAS ALUMINIUM COMPANY LIMITED

### GROSS FIXED ASSETS



Report  Junction.com

### SALES TURNOVER



CONTENTS	Page No.
Directors' Report	3
Corporate Governance Report	11
Management Discussion and Analysis	18
Auditors' Report	21
Balance Sheet	24
Profit and Loss Account	25
Cash Flow Statement	26
Schedule to Accounts	27

### **BOARD OF DIRECTORS**

ANIL AGARWAL  
*Managing Director*

NAVIN AGARWAL

TARUN JAIN

A.R. NARAYANASWAMY

S.C. KRISHNAN

PRAVIN AGARWAL  
*Whole-time Director*

AGNIVESH AGARWAL  
*Whole-time Director*

### **BANKERS**

ABN AMRO BANK N.V.  
HDFC BANK  
ICICI BANK  
INDIAN BANK  
STANDARD CHARTERED 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 : [080] 6621169  
E-mail : bangalore@karvy.com

**REPORT OF THE BOARD OF DIRECTORS****To the Members of The Madras Aluminium Company Limited****Dear Shareholders**

Your Directors take pleasure in presenting the Forty-third Annual Report of the Company with the Audited Accounts for the year ended 30th June 2003.

**FINANCIAL PERFORMANCE****(Rs. Million)**

	<b>2002-2003</b>	<b>2001-2002</b>
Income from Operations	<b>3,066.61</b>	<b>3,084.43</b>
Less : Operating Expenses	<b>2,339.30</b>	<b>2513.06</b>
Operating Profit	<b>727.31</b>	<b>571.37</b>
Add : Other Income	<b>26.97</b>	<b>23.23</b>
PBDIT	<b>754.28</b>	<b>594.60</b>
Less : Interest	<b>160.63</b>	<b>233.71</b>
PBDT	<b>593.65</b>	<b>360.89</b>
Less : Depreciation	<b>195.74</b>	<b>182.95</b>
Profit Before Tax & Extraordinary item	<b>397.91</b>	<b>177.94</b>
Less : Extraordinary item	<b>-</b>	<b>23.50</b>
Profit Before Tax	<b>397.91</b>	<b>154.44</b>
Less : Provision for Taxation		
Current	<b>30.20</b>	<b>8.00</b>
Deferred	<b>52.50</b>	<b>7.50</b>
Profit after Taxation	<b>315.21</b>	<b>138.94</b>
Add : Profit brought forward	<b>577.16</b>	<b>1,094.48</b>
Less : Adjustment for deferred tax	<b>-</b>	<b>552.37</b>
Profit available for appropriation	<b>892.37</b>	<b>681.05</b>
Less : Appropriations		
Final Dividend recommended	<b>112.50</b>	<b>90.00</b>
Tax on Dividend	<b>14.41</b>	<b>-</b>
Transfer to General Reserve	<b>31.52</b>	<b>13.89</b>
Transfer to Debenture Redemption Reserve	<b>341.70</b>	<b>-</b>
Balance carried forward to next year	<b>392.24</b>	<b>577.16</b>

**OPERATIONAL PERFORMANCE**

The year under review witnessed an increase in production of aluminium to 31,140 MT from the previous year's 30,125 MT, registering a growth of about 3.37%. Production of alumina hydrate also saw an increase to 61,956 MT from the previous year's 59,687 MT, registering a growth of 3.80%. Volume growth was possible on account of the consistent efforts to increase productivity and also the de-bottlenecking initiatives taken up by the Company.

The sales turnover of the Company aggregated Rs.3,066.61 million compared to previous year's Rs. 3,084.43 million. Aluminium sales registered an increase of Rs. 44.75 million. However, the sales turnover of the Company was lower on account of reduction in quantum of wheeled power to an associate company in view of installation of DG Set by them.

Your Company's cost control initiatives have been fairly successful as is borne by the increase in the PBDIT of the Company, the profit for the year to Rs. 754.28 million as against Rs. 594.60 million in the previous year, registering an increase of 26.86% over the previous year. In spite of higher tax incidence, the net profit after tax has increased to Rs. 315.21 million as compared to previous year's Rs. 138.94 million, an increase of 126.87%.

The performance of your Company's power plant is one of the best amongst thermal power plants operating globally. The power plant generated 673 million units during the year compared to 655 million units during the previous year. The power plant was operated during the year at an average PLF of 103%.



## **FINANCE**

Your Company raised Rs. 2,500 million by issue of Secured Non Convertible Debentures and this amount has been lent to Sterlite Opportunities and Ventures Limited, as inter corporate loan on the same terms and conditions and therefore, there is no impact on the Profit and Loss account of the Company. Cash generated from the operations of the Company was utilised to repay other loans.

## **MODERNISATION AND EXPANSION PLANS**

The planned modernisation project of the Company has received a setback, as the Italian company, Techmo Car SpA could not achieve the guaranteed parameters specified in the contract, in spite of the best support provided by the Company. Your Company is taking effective steps to safeguard its interest.

Your Company is continuously exploring ways and means to improve its cost competitiveness and enhance its position in the domestic aluminium sector. Towards this, the Company is planning a capacity augmentation programme to achieve higher metal output, with matching alumina production capacity.

## **DIVIDEND**

Your Directors are pleased to recommend payment of dividend at 50% on the equity share capital of the Company, for the year ended 30<sup>th</sup> June, 2003. The total outflow on account of this dividend payment would be Rs. 126.91 million including the tax payable on dividend.

## **DIRECTORS**

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.

## **EMPLOYEES' STOCK OPTION SCHEME**

None of the employees of the Company exercised their option to subscribe towards the equity shares of the Company, as offered under the Employees' Stock Option Scheme. The scheme has been terminated by the Company and accordingly, provision made in the accounts amounting to Rs. 4.10 million has been reversed during the year.

## **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 dematerialized trading in the Company's equity shares. As at the year-end date, 18,696,430 equity shares, constituting 83.10% of the total paid-up equity share capital, have been dematerialized and are being held in electronic form. Members who wish to dematerialize 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**

Your Company acquired 38.8% stake in India Foils Limited (IFL) during the financial year 1999-2000. IFL is in the process of stabilising its plants with management support from your Company. Your Company is confident of the intrinsic strengths of IFL and is committed to effecting a turnaround of IFL.

## **CORPORATE GOVERNANCE**

A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, including the Management Discussion and Analysis, Shareholders' Information and Auditors' Certificate on its compliance, form part of this 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 reliability of the financial statements and other operational data.

**CERTIFICATION**

Your Company places utmost emphasis on quality and to enhance its resolve, it has appointed a consultant to help the Company to get ISO : 9001-2000, ISO 14001 on Environment and 18001 on Occupational Health & Safety certification. The certification will assist the Company in consolidating its position in the market.

**AUDITORS' QUALIFICATION ON ACCOUNTS**

Notes to the accounts as referred in the Auditors' Report are self-explanatory and therefore, do not call for any further comments and explanations.

**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 Chief Financial Officer at the Registered Office of the Company.

**C. 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.

**GROUP**

The Company is controlled by the Agarwal Group being a Group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. A list of these entities is given below:

- Volcan Investments Limited, Bahamas
- Twinstar Holdings Limited, Mauritius
- Vedanta Resources Limited, United Kingdom
- Vedanta Resources Holdings Limited, United Kingdom
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal

## LISTING

Your Company's shares are listed on The Stock Exchange, Mumbai and The Madras Stock Exchange Limited and the listing fees of these Stock Exchanges up to the year 2002-2003 have been paid by the Company.

## ENVIRONMENT

As a responsible corporate citizen, your company is proactive in protecting and improving the environment in and around the area of its operation. Following are the major initiatives in this direction:

- Reduction of water consumption by 3,000 m<sup>3</sup>/day.
- Selected as one of the 12 "Excellent Energy Efficient Companies" in the country and awarded honour by CII.
- Planted 1,250 saplings in the factory premises, 3,300 saplings in Yercaud Mines and 2,500 saplings in Kolli mines and sponsored 10,000 saplings in Kolli Hills.
- Developed a garden inside the factory premises.
- Conducted a "Protect Environment Campaign" at Yercaud and
- De-silted and beautified Yercaud lake.

## HUMAN RESOURCES

Your Company realises the value of its human resources and in order to motivate and realise Corporate objectives, has revised the salary structure of the management category staff/executives with additional responsibilities and higher goals.

Your Company has given focussed attention to develop and train employees by declaring the year under review as "Human Resource Development" year. Accordingly, training programmes across all cross sections of employees were organised to enhance their skill sets in line with the newer challenges that face the Company.

Your Company is conscious about the welfare of adjoining villagers. Three medical camps were organised targeting diabetes and cardio vascular ailments as a part of the Company's community development initiatives.

## ACKNOWLEDGEMENT

Your Directors acknowledge the co-operation and assistance received from the Central and State Governments, bankers, customers and suppliers.

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 efforts put in by the Company's employees at all levels.

For and on behalf of the Board

Place : Mumbai  
Date : 8th July 2003

Sd/-  
**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, 2003.

**A. CONSERVATION OF ENERGY****a. Energy conservation measures taken**

Energy is the key driver of performance of your Company. Conservation measures initiated in the previous year have been sustained.

1. Reduction in specific coal consumption for power generation yielded substantial savings.
2. Optimisation of the furnace oil fired kilns in the alumina plant and the furnaces in the foundry resulted in reduced consumption of fuel oil and a savings of Rs. 5.7 million.
3. Specific steam consumption was reduced with usage of high-pressure water jet cleaning system for improved heat transfer rate. This resulted in savings of Rs.3 million.
4. Modification of the multi staged boiler feed pumps for better efficiencies resulting in a saving of Rs. 0.5 million per pump.

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

Following measures under consideration for reduction of energy consumption.

1. Procurement and installation of energy efficient boiler feed pumps.
2. Replacement of all cooling tower fans with energy efficient fans.
3. Installation of a back pressure turbine in place of pressure reducing station. Additional 1 MW is expected to be generated by this process.

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

Improved operational efficiencies coupled with measures taken in Captive Power Plant for reduction in auxiliary power and specific fuel consumption and conservation of water initiatives will help to improve cost competitiveness.

**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.

# 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	2002-2003 (Rs. Million)	2001-2002 (Rs. Million)
(i) CIF value of imports	412.86	709.88
(ii) Expenditure in foreign currency	0.79	0.33
(iii) Foreign exchange earned	1.44	1.10

## FORM A

A. POWER AND FUEL CONSUMPTION	2002-2003	2001-2002
1. Electricity		
a. Purchased		
Units (kWh) – million units	4.13	16.32
Total Amount – Rs. million (inclusive of demand charges)	98.00	125.14
Rate / Unit Rs.	23.73	7.67
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) – million units	673.74	655.63
Units / Tonne of Coal & Petcoke	2,069.38	1,875.95
Cost / Unit (net) Rs. per unit	1.25	1.43
2. Coal (Non-coking Coal for Captive Power Plant) & Pet Coke		
Quantity (Tonnes)	325,575	349,493
Total Cost - Rs. million	775.38	939.13
Average rate - Rs. per tonne	2,382	2,687
3. Furnace Oil		
Quantity – (KL)	8,609	9,186
Total Amount – Rs. million	88.10	79.54
Average rate – Rs. per KL	10,233	8,659
4. Others / Internal Generation	Nil	Nil
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (kWh / Tonne)	17,742	17,373
Furnace Oil (KL / Tonne)	0.276	0.303
Coal (Non-coking) & Pet Coke (gms./kWh)	483	532