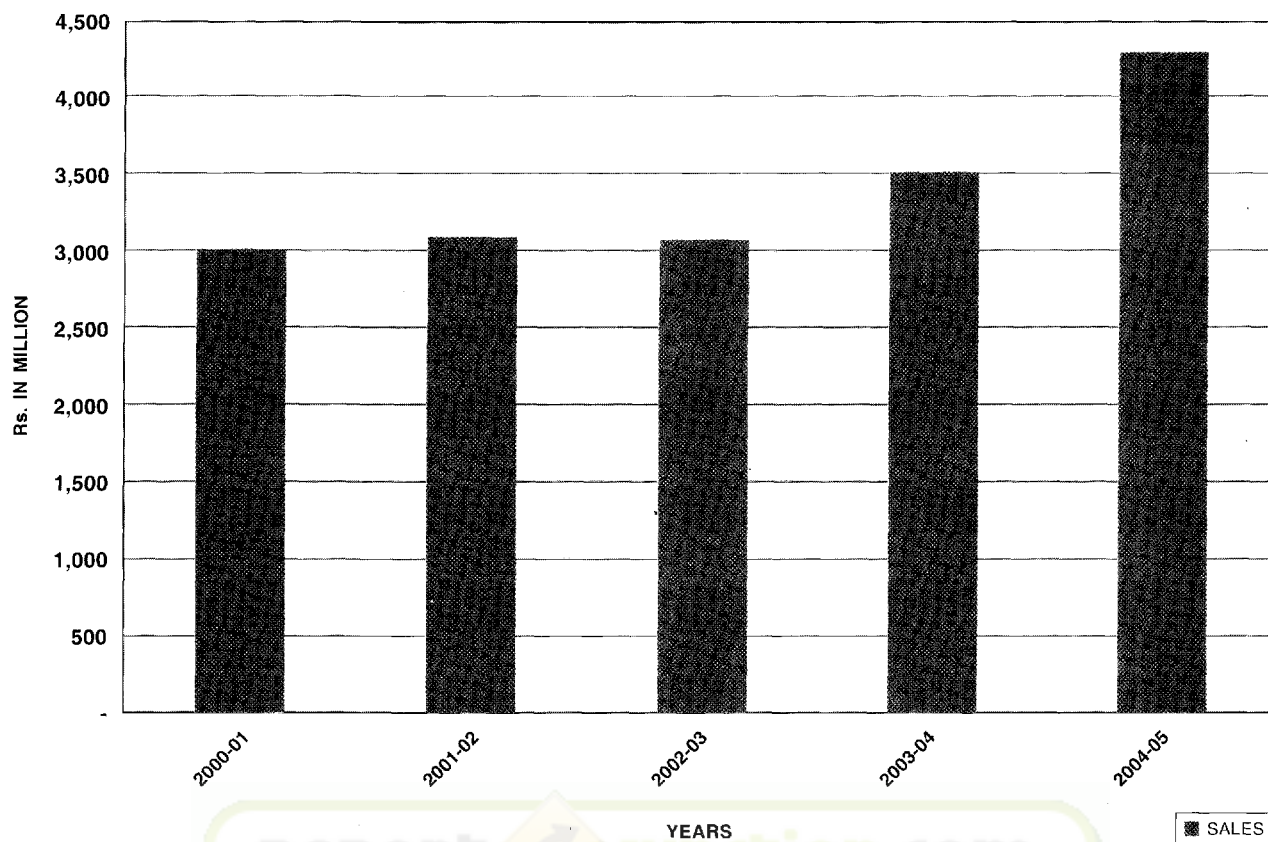


The Madras Aluminium Company Limited

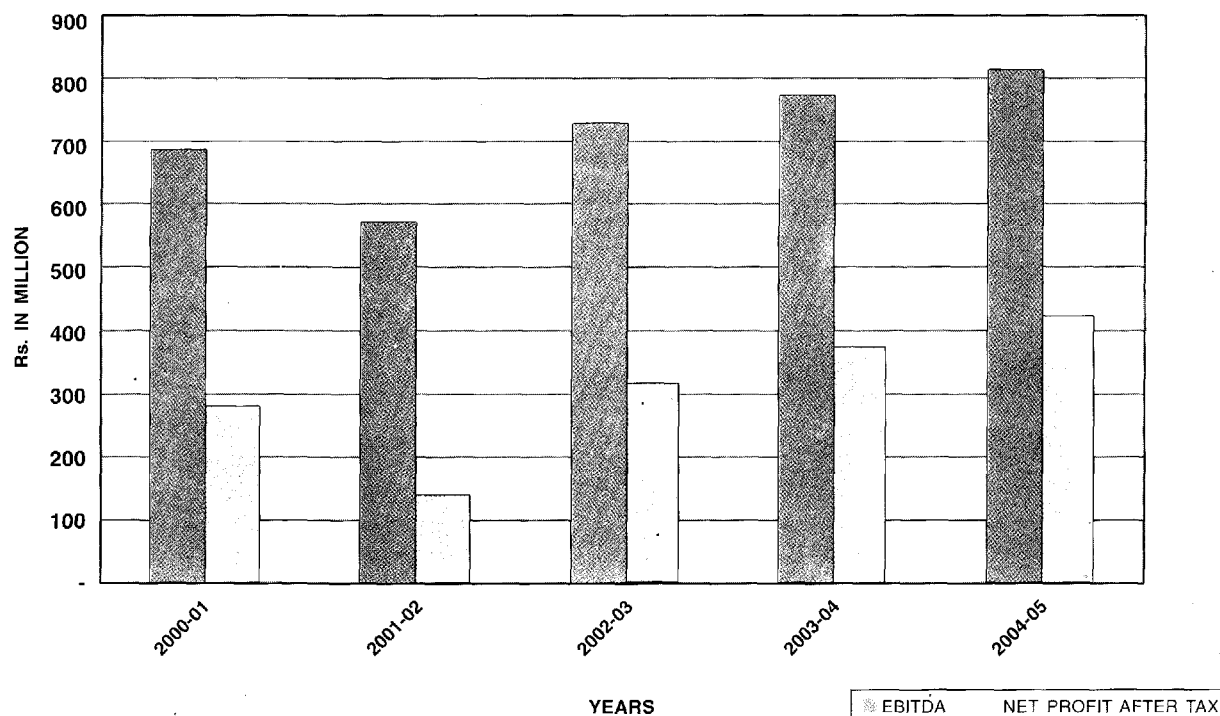


45th Annual Report
2004-2005

SALES TURN OVER



PROFITABILITY



CONTENTS	Page No.
Directors' Report	2
Corporate Governance Report	9
Management Discussion & Analysis	15
Auditors' Report	18
Balance Sheet	22
Profit and Loss Account	23
Cash Flow Statement	24
Schedule to Accounts	25
Notice to Shareholders	40
Investor & Shareholder Information	42

BOARD OF DIRECTORS

NAVIN AGARWAL
Chairman

J.R. VENKATRAMAN
Managing Director

TARUN JAIN

A.R. NARAYANASWAMY

PRAVIN AGARWAL
Whole-time Director

AGNIVESH AGARWAL
Whole-time Director

RAJEEV KUMAR JAIN

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 COMPUTERSHARE PVT. LTD.

TKN COMPLEX, 51/2, VANIVILAS ROAD,

BASAVANAGUDI, BANGALORE 560 004

Phone : (080) 26613400

Fax : (080) 26621169

E-mail : bangalore@karvy.com

Report Junction

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-fifth Annual Report of the Company with the Audited Accounts for the year ended 30th June, 2005.

FINANCIAL PERFORMANCE

(Rs. Million)

	2003-2004
Income from Operations	3,514.88
Less : Operating Expenses	2,742.71
Operating Profit	772.17
Add : Other Income	46.03
PBDIT	818.20
Less : Interest	89.91
PBDT	728.29
Less : Depreciation	194.84
Profit Before Tax and Exceptional item	533.45
Less : Exceptional item	80.00
Profit Before Tax and after Exceptional item	453.45
Less : Provision for Taxation	
Current	33.78
Deferred	47.50
Fringe Benefit Tax	
Profit after Taxation	372.17
Add : Profit brought forward	392.24
Profit available for appropriation	764.41
Less : Appropriations	
Interim Dividend	123.75
Final Dividend	-
Tax on Dividend	15.85
Transfer to General Reserve	37.22
Balance carried forward to next year	587.59

Your Company has completed Alumina Refinery de-bottlenecking satisfactorily, enhancing the capacity of Alumina Refinery to 80,000 MT per annum. At Captive Power Plant, Back Pressure Turbine has been commissioned successfully and is generating additional 0.8 MW power continuously. Capacity enhancement of both the Rod Mills has been completed to match with higher output of hot metal from Smelter.

OPERATIONAL PERFORMANCE

The year under review witnessed another landmark year for your Company.

The performance is commendable considering the challenging business environment prevailed during the year. The year under review witnessed an increase in production of Aluminium to 36,062 MT from the previous year's 33,027 MT, registering a growth of about 9.19 %. Production of Alumina hydrate also saw an increase to 81,791 MT from the previous year's 67,874 MT, registering a growth of 20.50 %. Volume growth was possible mainly on account of the commissioning of the new Pots and also due to 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. 4,281.07 Million, compared to previous year's turnover of Rs. 3,514.88 Million. During the current year, your Company also exported 549.89 MT of Calcined Alumina amounting to Rs. 6.35 Million.

The operational performance of your Company's power plant is amongst the best thermal power plants operating globally. The power plant generated 748 Million units during the year compared to 712 Million units during the previous year. The power plant was operated during the year at an average PLF of 114% as against 108% in the last year.

Your Company's strategy and initiatives taken to improve the profitability have been fairly successful, through sweating of assets which have yielded positive results. The cash profit before taxation of the Company has gone up to the level of Rs. 803.16 Million as against Rs. 728.29 Million in the previous year, registering an increase of 10.28%. The net profit after tax has increased to Rs. 421.96 Million as against Rs. 372.17 Million in the previous year, registering an increase of 13.38%.

DIVIDEND

The Board of Directors have recommended a final dividend of Rs. 5.50 per share (55 %) for the year ended 30th June, 2005 as against Rs. 5.50 per share as interim dividend for the previous year. The final dividend outflow aggregates Rs. 141.11 Million (including dividend tax Rs. 17.36 Million), compared to the interim dividend of Rs. 139.60 Million for the previous year (including dividend tax of Rs. 15.85 Million).

DIRECTORS

Mr. Pravin Agarwal has been reappointed as Whole-time Director in the Board Meeting held on 26th July, 2005 for a period of 5 years commencing from 28th August, 2005 and his appointment is subject to confirmation at the ensuing Annual General Meeting.

Mr. Agnivesh Agarwal has been reappointed as Whole-time Director in the Board Meeting held on 26th July, 2005 for a period of 5 years commencing from 1st August, 2005 and his appointment is subject to confirmation at the ensuing Annual General Meeting.

Mr. Anil Agarwal has relinquished the directorship with effect from 25th November, 2004. Mr. S.C. Krishnan has resigned as a Director with effect from 25th November, 2004. Directors record their appreciation of the valuable services rendered by Mr. Anil Agarwal and Mr. S.C. Krishnan.

Mr. Rajeev Kumar Jain was appointed as a Director in casual vacancy at the Board meeting held on 25th November, 2004.

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

DEMATERIALIZATION 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 2,789,557 equity shares, constituting 12.4% 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 Computershare Pvt. Limited, 51/2, TKN Complex, Vani Vilas Road, Basavanagudi, Bangalore - 560 004 through any registered Depository Participant.

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, forms a 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 unauthorized use or disposal and that all the transactions are duly authorized, 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 systems and to justify this, your Company has been accredited with ISO 9001(2000), ISO 14001(1996) and OHSAS 18001(1999). Your Company is one among the few, who have achieved this rare milestone of obtaining all the three certifications together, in the maiden attempt. ISO Surveillance Audit has also been successfully completed during the year.

AUDITORS' REPORT ON ACCOUNTS

Auditors' Report is self-explanatory and therefore do not call for any further comments / 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 to be 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

Pursuant to Sub-section 2AA of Section 217 of the Companies Act, 1956, in the preparation of the Annual Accounts, it is hereby confirmed that:

- 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 judgments 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 plc, 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 2005-06 have been paid by the Company.

ENVIRONMENT

MALCO is continuing its efforts to further improve the environment in and around its places of operation. Some of the important measures taken in this regard are:

- Replacing Shaker Bag Filters by Pulse Jet Bag Filters in Alumina Silo and for Coke Pulveriser in Paste Plant.
- Providing Exhaust system for Holding Furnaces.
- Segregation of storm water lines from effluent drains.
- Construction of Secured Landfill facility.
- Disposal of 61 % of Red Mud generated to Cement Industries. MALCO is the only Aluminium manufacturer in Southern India, supplying Red Mud to other industries for using in their manufacture, thereby ensuring reuse.
- SPM on-line monitor for the Paste Plant Stack.
- Planting of 1000 saplings at Factory premises and 8500 saplings at Mines.
- A reduction of 2000 units of electrical energy per day achieved by replacing 2 motors by a single motor of lower capacity at Water Intake Point.

SAFETY

Focussed approach to enhance the safety standard and the efforts taken to encourage and motivate the employees on the safety front yielded good results. In the last five months of the financial year there was no reportable accident. A reduction of 56.5% in the reportable accidents was achieved. The safety initiatives taken are:

- Hazop Study completed and training given to Engineers on the same.
- Audit by Chess Management Services Pvt. Ltd. and Price Waterhouse Coopers completed.
- A System to improve contract workmen safety introduced.

- Safety Steward teams formed to focus on certain key areas.
- Safety Protocol System effectively implemented for high risk jobs.
- Safety related Competitions conducted to motivate the employees (Slogans, Material Handling and Safe Employee).
- 158 Safety and Environment Awareness Boards displayed and 30 caution boards distributed to Departments.
- Safety and Environment Monthly Newsletter and Handouts circulated to enhance awareness.
- Awareness training given to 285 Operators, 487 Contract Workmen and 217 Management Staff.

HUMAN RESOURCES

To reflect its true global outlook your Company aspires to be an employer by choice across geographies. Understanding the importance of the indispensable human capital in the growth and prosperity of the company, concerted effort are being made towards this objective.

As a part of the Company's belief in continuous learning, the Company has sent its representatives for International seminar on Coal to Kuala Lumpur, Malaysia and to Norway to acquire the latest knowledge in manufacturing Aluminium. Your Company has institutionalised a number of Leadership and Development initiatives like Outbound Management Development Programmes to IIM Ahmedabad & IIT - SOM Mumbai, other than various in-house Training Programmes.

Your Company's focus on managerial capabilities is becoming sharper. The introduction of Accelerated Competency Tracking and Upgradation Programme (ACT-UP) for the lower level management staff provides a platform for the immense talent available within the company to take leadership positions in the future.

Your Company has initiated various Employee Recognition & Motivational Schemes such as Employee of the Month, productivity based incentive, safe employee award, CEO Kitty Award etc.

To improve the Quality of Life of these most important assets, your Company has initiated various recreational activities like:

1. Screening weekly movies
2. Yoga Classes for the employees and their families
3. Regular Family Get-togethers

Your Company is now publishing a quarterly In- House magazine, which informs about the achievements and accolades of various individuals and the Company in this period, hence inculcating a sense of belongingness amongst the employees.

SOCIAL RESPONSIBILITY

Your Company is conscious about the welfare of adjoining villagers of Plant and Mines. Number of medical camps with specialist Doctors were organised as a part of the Company's Community Development initiatives.

With a view to provide quality education, your Company continues to run a large school, Malco Vidyalaya Matriculation Higher Secondary School having a strength of around 2900 students in Mettur. The school is one of the best renowned schools in the District and its students remain the toppers in the District in the High School / Higher Secondary Board examinations. The Company has also announced Sterlite Scholarship to the top 3 students pursuing their Engineering course. The Company has provided all infrastructure and other financial support to the school.

Some of various other welfare programmes undertaken by your Company are given herein below:

- De-weeding at Yercaud Lake (Best Social Work Award).
- Distribution of Study material to Primary School at Taramangalam.
- Tsunami relief work.
- Renovation of rooms for ration shop in Rammoorthy Nagar.
- Co-sponsored a Camp for Skin -disease and TB Eradication Programme by Government at Mettur.
- Co -Sponsored Pulse Polio Programme organized by Government at Mettur.
- Free supply of Water to nearby Villages.
- Organized Health Camp at Kolli.
- Participation in Local Community Celebrations.
- Sponsorship of prizes for Local Institutions.

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 hard work, commitment and dedicated efforts put in by the Company's employees at all levels.

For and on behalf of the Board

Sd/-

J.R. Venkatraman
Managing Director

Place : Mumbai

Date : 26th July, 2005

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, 2005.

A. CONSERVATION OF ENERGY

a. Energy conservation measures taken

As a part of sustainable development initiatives, the following measures to conserve energy have been taken :

- i. Installation of Back pressure turbine in place of pressure reducing station resulted in an additional generation of 0.8 MW resulting in saving of 4 grams per kWh of coal consumption.
- ii. Installation of an additional Evaporator body, Plate heat exchanger and improving the insulation of all major Pipe lines / Tanks resulted in saving of 0.4 MT of steam per MT of Alumina.
- iii. Installation of VFDs for Soda Pump, Desilication, Dilution pumps etc., resulted in a reduction of 1100 units per day.
- iv. Installation of required capacity of motors at water intake and for Hydrocyclone resulted a saving of 2900 units per day.
- v. Modification of Rod Mill Liner plate resulted in an increase in output and reduction in energy consumption.

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

Following measures are under consideration for reduction of energy conservation :

- i. Installation of split condensing system at Captive Power Plant which will result in a reduction of 8 gm of coal per unit of electricity generated.
- ii. Installation of VFDs for Aluminate, Seeding and Wash Liquor Pumps will result in a reduction of 1300 units per day.
- iii. Redesigning of heat recovery system in Alumina Red to reduce steam consumption by 0.1 MT per MT of Alumina.
- iv. Replacement of multi staged boiler feed pumps for better efficiencies will result in a reduction of 1900 units per day.
- v. Replacement of common Forced Draft Fan with energy efficient one resulting in the saving of Rs 1.48 Million per annum.
- vi. Monitoring of bath chemistry of the pots on a daily basis by using XRD (being installed) to improve operational efficiency and reduce energy consumption.

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

The efforts taken to conserve energy will not only bring down the cost of production but also will help us to conserve coal and improve environmental performance.

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

Exported 549.89 MT of Calcined Alumina amounting to Rs. 6.35 Million during the year 2004-05.

	2004-2005 (Rs. Million)	2003-2004 (Rs. Million)
b. Total foreign exchange used and earned		
(i) CIF value of Imports	1130.06	639.63
(ii) Expenditure in Foreign currency	1.32	9.76
(iii) Foreign exchange earned - Others	4.33	0.78
(iv) FOB value of Exports	6.35	37.85

FORM A

A. POWER AND FUEL CONSUMPTION	2004-2005	2003-2004
1. Electricity		
a. Purchased		
Units (kWh) - Million units	20.27	5.39
Total Amount - Rs. Million	205.77	171.75
(inclusive of Demand charges and Generation tax)		
Rate / Unit - Rs.	10.15	31.86
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 (Gross)	748.47	712.19
Units / Tonne of Coal & Petcoke	1,891.14	1,946.65
Cost / Unit (net) Rs. per unit	1.90	1.44
2. Coal (Non-Coking) & Pet Coke for Captive Power Plant		
Quantity (Tonnes)	395,773	365,854
Total Cost - Rs. Million	1,313.72	942.73
Average rate - Rs. per tonne	3,319	2,577
3. Furnace Oil		
Quantity - (KL)	10,675	9,922
Total Amount - Rs. Million	117.81	103.68
Average rate - Rs. per KL	11,036	10,449
4. Others / Internal Generation	Nil	Nil
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (kWh / Tonne)	17,956	17,860
Furnace Oil (KL / Tonne)	0.296	0.300
Coal (Non-coking) & Pet Coke (gms./kWh)	529	514

FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

- | | |
|---|--|
| <p>1. Specific areas in which R & D carried out by the company</p> <p>2. Benefits as a result of R & D</p> <p>3. Future plan of action</p> <p>4. Expenditure on R & D</p> <p style="margin-left: 20px;">a. Capital</p> <p style="margin-left: 20px;">b. Recurring</p> <p style="margin-left: 20px;">c. Total</p> <p style="margin-left: 20px;">d. Total R & D expenditure as a percentage of total turnover</p> | <p>i). Use of high purity lime resulted in increase in extraction efficiency and reduction in silica in Alumina and caustic in Red Mud.</p> <p>ii. De-silication circuit modification resulted in better residence time and reduction in silica in Alumina.</p> <p>Improvement in quality and environment.</p> <p>Feasibility study on :</p> <p>i. Extraction of Gallium present Bauxite, working with CECRI, Karaikudi.</p> <p>ii. Production of high purity Alumina, working with JNARDDC, Nagpur.</p> |
|---|--|
- } Not applicable

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|--|---|
| <p>1. Efforts, in brief made towards technology absorption, adoption and innovation</p> <p>2. Benefits derived as a result of above efforts e.g., product improvement, cost reduction, product development, import substitution</p> <p>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</p> <p style="margin-left: 20px;">a. Technology imported</p> <p style="margin-left: 20px;">b. Year of Import</p> <p style="margin-left: 20px;">c. Has technology been fully absorbed?</p> | <p>i. Action initiated to replace existing wet scrubber by a dry scrubber to improve recovery of Fluorine and eliminate effluent generation from wet scrubber.</p> <p>ii. Modified Point Feeding System/Bar Breaker Mechanism under trial which will improve work environment of smelter and reduce energy consumption.</p> <p>i. Commissioning of Dry Scrubber will result in better work environment and reduction in Fluoride consumption.</p> <p>ii. On commissioning modified point feeders / bar breakers, the resulting energy reduction will help to reduce cost of production.</p> |
|--|---|
- Technology transfer agreement entered into with M/s Techno Car SpA., Italy for modernization of smelter and improvement of process and environment. However, the desired results could not be achieved.

2000 - 2001

The guaranteed parameters of increase in output and reduction in energy consumption could not be achieved, inspite of the best support provided by the Company. Bank Guarantees furnished by the contractor have been invoked and the company is taking further steps to safeguard its interest. Matter is under international arbitration.

For and on behalf of the Board

Sd/-

J.R. Venkatraman
Managing Director

Place : Mumbai
Date : 26th July, 2005